

Performance Management Impacting Organizational Output in Private and Public Sector Organizations of Pakistan, a Case in Point

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Abstract

Purpose: This paper analyzes performance management practices in the private and public sector organizations of developing countries like Pakistan. Management and measurement of individual and team performance is a step towards improvement and growth in the organizational functioning. Capacity enhancement of human resources is possible only when periodically monitored and measured. Computer and information technology have facilitated the process of performance management in today's work environments. **Method:** The research endeavor in this paper is fundamentally explanatory based on secondary data from the official circles of private and public sector setups and firms of Pakistan, mainly located in Karachi. The study follows a qualitative secondary data analysis in publications and official websites. In the case of countries like Pakistan, which earnestly need modern management techniques for their much-needed productive employment of human resources, the accountability of outputs provides a stepping stone towards economic and social growth. In addition to the rich literature review, panel discussions and survey responses provided insights into the existing shortfalls of performance measurements and deficient performance in the organizations. Official documents like annual performance appraisals, hiring practices, training, and development plans provided practical arguments to draw relevant conclusions. **Findings:** Proficient organizational functioning and performance management of individuals and teams operate in mutual synch. In the case of Pakistan, the study has found deviations from the standards outlined in the contemporary literature. This is why organizations, especially in the public sector, fail to meet the goals to the satisfaction of stakeholders. The study draws conclusions from the deviations on planning, determining achievable objectives, continuous guidance, midcourse monitoring, and facilitating environments due to which individuals and teams fall short of meeting the

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benchmarks. It also found that conflicting practices leading to deficient levels of satisfaction among employees, which ultimately impacts organizational success.

Keywords: Performance Management- Organizational Performance-Performance Reviews.

1 Introduction

Management of human resource potential is central to organizational success, and it entails identifying, measuring, and developing the job skills of individual members and teams in the organizations (Bagdadli & Gianecchini, 2019; Mustafa et al., 2022). It also embeds aligning those skills with the organization's strategic goals. Performance management, therefore, is the art and science of enabling people to perform to their optimum capabilities and capacities (Helmold & Samara, 2019). Fundamentally, it aims to attain the best out of the abilities of the human resources employed therein. In performance management and measurement systems, individuals are the variables to be facilitated and put into the mechanism of optimum outputs within the overall context of organizational functioning (Adnan et al., 2023; Guenther & Heinicke, 2019). It is considered an ongoing process of communicating with the people around the organization to clarify the job responsibilities, priorities, performance expectations, and subsequent planning and linking them with the firm's strategic objectives. This is how it becomes a tool to facilitate the employees that they are provided with the required resources and guidance; are also made accountable for the work they undertake (Arshad et al., 2022; Wang et al., 2023). The performance of an organization predominantly rests on its human resources; therefore, they are facilitated in setting the goals and attaining those in the best possible way (Aguinis, 2009; Ployhart, 2021). It works on the well-known simple principle that if the performance of a factor of production cannot be measured, it cannot be improved as well (Neely et al., 1995).

Furthermore, management of employees' activities in the continuity of planning, executing, monitoring, and improving the skills is to meet the goals of organizations according to their structures, functionalities, human resource characteristics, and natures of the markets (Ansari et al., 2021). Private and public sector Organizations that aspire to improve their performance follow techniques unique to their functioning (Grego-Planer, 2019; Khan et al., 2022). Such techniques follow the organizational vision, mission, and goals (Van Dooren et al., 2015). For example, the performance management system of a university would be different from that of a machine tools factory or a warehouse. Even within a country's education system, the management of a toddler's academy employs a strategy different from that of a college or polytechnic institute, which has to be the performance management system (Grossi et al., 2020). Therefore, every organization needs to develop its performance management system, though basic principles may remain the same. One model does not fit every setup; if applied, it is likely to go astray.

Therefore, this study has enabled the officials and managers to comprehend the fundamental principles of performance management, including the strategic design, objectives, goals, key performance indicators, and corrective actions through a predetermined feedback system (Mahmood et al., 2022). Private and public sector organizations of Pakistan have been taken as reference cases through the available literature review and interactive sessions cum panel discussions.

1.1 Objectives of the Study

1. To understand the performance management perceptions in Pakistan's public and private sector organizations as a case in point.
2. To comprehend performance management in applications to enhance the working capacity of the human resource and, consequently, the organizational outputs.
3. To present a way forward for enhancing human resource satisfaction and organizational performance due to the former.

2 Literature Review

2.1 Performance Management and Development Pre-requisites

The performance management processes fundamentally include complete information about the organization's mission, goals, and objectives on which the system is developed. According to Aguinis (2009), two common prerequisites exist in any conventional performance management mechanism: information about the firm's philosophy of creation and knowledge of the different jobs in question. Knowledge about the organization's mission and goals has cascading implications which continue downward the ladder until each employee has his own set of goals in accordance with the organization's (Den Hartog et al., 2004; Adeinat & Abdulfatah, 2019). Knowledge about the job in question is obtained through job analysis and design, which determines its key components like job activities, specific tasks, nature of products, and type of services. Without comprehensive job analysis, it is impossible to comprehend what constitutes the required duties; an employee is expected to perform (Folan & Browne, 2005; Ramhit, 2019). It fundamentally includes KSAs (Knowledge, Skills, Abilities) and actions to attain the goals.

However, organizational performance is the accumulated outcomes of the pursuance of goals of all the departments of an organization in their individual and collective capacities (Khalil & Khan, 2019). Predominantly, it includes strategy development, operations management, financial orchestration, achieving human resource excellence, developing growth-centric organizational behavior, marketing, and others alike (Rehman et al., 2022). Aguinis (2009) in 'Performance Management' outlines the leading contributions of an effective management system (Richards et al., 2019) in enhancing existing levels of excellence in the fields like motivation, self-esteem, managers' insights, job clarifications, self-insight-development, appropriate administrative actions, more explicit organizational goals, employees' competency, employees' conduct, highlighting lagging behind individuals, facilitating organizational culture and motivation of the employees. In strategic dimensions of organizational functioning, one can say that the final outcome of a firm is basically optimum employment of its human resources and material means facilitated by the best possible internal and external environments (DeNisi & Murphy, 2017; Mahapatro, 2021).

Organizations in developing countries like Pakistan have a marginal understanding of scientific performance management practices (Ahhabi et al., 2019). A literature review conducted for this study reflects annual performance reports or periodic performance appraisals considered performance management, especially by the officials in the public sector (Abdulai, 2019; Anjum et al., 2011; Sułkowski et al., 2020). During a survey conducted through simple questions as to what is meant by performance management and its applications, the majority of the respondents from the public sector setups located in Karachi termed annual performance reports as performance management. On the other hand, in the private sector setups, reliance is on the personal satisfaction and understanding of the employer instead of following a performance management mechanism (Awan & Zia, 2015). Organizations sometimes try to employ one set of performance management tools for all setups. When it fails, they try another one, again, borrowed from different case studies; in this way, through hit and trial, sometimes it works but mostly does not. Whereas performance management fundamentals may remain the same for different types of organizations, specifics would differ from one setup to another. There is a need to understand performance management from commonalities and specific points of view.

2.2 Planning for Performance Management

Planning is a collective activity undertaken at the start of every performance cycle, where team leaders and members debate and reach a joint agreement on what needs to be done and how it is to be achieved (Markus & Markus, 2004). Mutual discussion in planning includes intended actions, desired results, and essential behaviors, as well as how to develop those (Aguinis, 2009; Conner, 2020). Details of intended actions and results are taken from the job description of individuals and

departmental assignments. It also includes a discussion on performance standards, which is a yardstick for evaluating how well an employee under evaluation has been performing previously and achieving the assigned objectives (Bititci et al., [2012](#)). Performance standards provide information about acceptable and unacceptable performance levels (in terms of quality, quantity, cost, and time) of individuals, teams, and setups (Lovett, [2024](#)). Take the example of a university professor; here, the two key accountabilities would include teaching and research. It leads to developing university benchmarks for individuals and departments (Anjum et al., 2011; Purcell et al., [2019](#)).

2.3 Execution Phase of Performance Management

In performance execution, employees take steps to achieve the benchmarks as already set in. Since they were also part of the planning process, their primary mutual responsibility and ownership is to execute the commitments (Buckingham & Goodall, [2015](#)). At this stage, the main factors of performance execution include a commitment to agreed-upon goals, ease of communication with the supervisor, progress on performance, and outcome reviews (Aguinis, [2009](#)). During the execution stage, managers and performing individuals also meet and find ways to achieve the goals set during the planning stage (DeNisi & Murphy, [2017](#)).

2.4 Assessment of Achievements

In the assessment phase, employees and managers present themselves to measure the extent to which the desired results have been achieved and acceptable behaviors displayed (Lovett, [2024](#)). Here, the data for performance evaluation includes information on peers and subordinates, supervisor assessment, achievement of intended objectives, and mechanisms of feedback (Adatsi et al., [2022](#); Aguinis, [2009](#)). One of the most important aspects at this stage is that employees and managers own the entire spectrum of activities and their consequent outcomes. The managers and supervisors fill out appraisal forms, and employees give their assessment of the performance they displayed (DeNisi & Murphy, [2017](#)). When all the stakeholders actively participate in the evaluation process, it has a greater chance of being productive in the future. Providing self-ratings to the employees helps them accept the discrepancies and take corrective actions (Neely et al., [1995](#)).

2.5 Performance Reviews

As the word indicates, a performance review is where the reviewer and reviewee meet and discuss the outcome of a given period (Aguinis, [2009](#); Schleicher et al., [2019](#)). It is called an appraisal meeting, which is essential to consider what was planned, how much has been achieved, and what kinds of difficulties are faced, resulting in shortfalls (Sareen & Mishra, [2016](#)). It is done formally, and the meeting proceedings are recorded for future guidance and reference (Neely et al., [1995](#)). Sometimes, managers hesitate to share the proper feedback due to fear of annoyance from the reviewer. Reviewers are uncomfortable when their deficient performance is reported (Ehtesham et al., [2011](#)). With the training of both sides, i.e., reviewer and reviewee, intimate counseling, and making the review process transparent, this difficulty is settled to a large extent in growth-centric organizations (Muqadas et al., [2017](#)). The reviews become comparatively more productive when policies and procedures are in place and followed, like identifying what an employee has performed by citing specific incidents of behaviors, soliciting feedback from other employees, listening for reactions and explanations, discussing implications of changing or not changing the behaviors with the concerned individuals, explain to the reviewer how past skills can help overcoming current shortfalls, agree on the action plan and finally set up another meeting to discuss and agree on the desired behaviors, actions, and attitudes to be reviewed subsequently (Aguinis, [2009](#); Marcinkowski, & Reid, [2019](#)).

2.6 Performance Renewal & Re-Contracting

Renewal and re-contracting simultaneously are the culminating stages of the performance cycle of the individuals, teams, and setups (DeNisi & Murphy, [2017](#)). It becomes identical to the planning

stage as it sets the performance standards and benchmarks for the upcoming work cycle. The difference here is that the renewal and re-contracting stage uses insights and information gained from the other process, as explained earlier, as well as experience gained in the current situation (Aguinis, [2009](#)). Meetings and discussions between manager and employee ultimately lead to setting workable, achievable, and financially viable goals. Unrealistic and over-ambitious objectives are avoided. The new performance management cycle starts (Aguinis, [2009](#); Lovett, [2024](#)).

2.7 An Ideal Performance Management System

According to Aguinis ([2009](#)), an ideal mechanism of output management encompasses strategic congruence of organizational goals and performance benchmarks, the convergence of efforts, thoroughness in planning, practicality in designing the objectives, specificity of performance standards, identification of effective and ineffective practices, acceptability, fairness, inclusiveness, openness, standardization, and ethicality. In strategic congruence of standards and practices, a performance management system is congruent with the organization's vision and mission, or we can say that individual goals are aligned with the firm's strategic objectives. When a performance management system is congruent to the organization's culture and that of the region or the state, context congruence is called (Aguinis, [2009](#)). Thoroughness covers employees' evaluation, job responsibilities, performance spanning, and feedback. Practicality employs user-friendly management systems instead of developing too expensive but impractical ones. Systems being relevant and controllable by the employees to enhance their performance is called its meaningfulness (Neely et al., [1995](#)). The systems must be specific to the employees' jobs to meet the expectations. Reliability means systems are consistent and accurate in measuring outcomes in performance management. At the same time, the measure's validity refers to the inclusiveness of all relevant performance facets. Acceptability and fairness enhance the chances of ownership and inclusiveness. Minimizing the subjective part of performance measurement makes it more focused and relevant (Aguinis, [2009](#)).

2.8 Performance Management Contemporary Practices

As a system, performance management corresponds to the firm's vision, mission, objectives, environments, and national policies. For example, performance management in the United Kingdom focuses on cost-effectiveness and developing new strategies (Van Dooren et al., [2015](#)). Similarly, France faces unique contextual issues specific to state policies, such as legal prerequisites to invest in employees' training and development and the need to emphasize individual accountability. Performance management systems in Germany emphasize long-term goals and usually do not have a short-term focus. Performance management in Turkey is more focused on personal relationships to build working comradeship and confidence. Performance management in India is aligned with foreign direct investment and international businesses. Performance management in China is concerned with attaining and applying skills and social harmony (Neely et al., [1995](#)). Group and team performance management is preferred over individual performance initiatives in South Korea. Japanese firms rely more on lifetime employment, consistent engagements, human considerations, mutual respect, and competency modeling simultaneously (Bititci et al., [2012](#)).

2.9 Key Performance Indicators (KPIs)

Oxford's Dictionary defines KPI as a quantifiable measure for evaluating the success of an individual, team, or organization in meeting the objectives (Chaudhary, [2019](#)). According to Investopedia, it is a set of quantifiable measures that a company uses to gauge its performance over a given time. In Macmillan's Dictionary, KPIs provide a way of measuring the effectiveness of an organization and its progress toward achieving its goals, as listed (Chaudhary, [2019](#)). So, it is a way of measuring the scale of gauging how much has been achieved at individual, team, group, or organizational levels against the standards. Since the HR element substantially impacts the

organizational functioning and outcome, KPIs are assigned to HR levels and act as significant benchmarks in performance measurements (Iveta, [2012](#)). In this way, KPIs become monitoring tools in performance management, including identifying low-performing Individuals and possible corrective measures (Lindberg et al., [2015](#)). KPIs serve as instruments to put the human capital to its optimum potential and measurements.

3 Research Methodology

3.1 Type of Research

The paper follows a critical social science approach, predominantly qualitative in debate and arguments. It is based on the data available in the archives of private and public sector organizations, primarily based in Karachi, Pakistan. The standard practices of performance management in public sector organizations are well-known, primarily based on a bureaucratic style of functioning and working protocols in the shape of job cards, the hierarchy of reporting mechanisms, and a system of annual performance reports. In the private sector, performance management is predominantly based on the understanding of the employer (Folan & Browne, [2005](#)). In addition to the literature review, standing operating procedures and things to do by the employees have been other sources of information to determine the nature of practices in the organizations on performance management, including output measurement and reviews. A survey conducted through a simple questionnaire and panel discussion sessions provided primary information for the study.

3.2 Data Collection and Analysis

Organizations studied for this research include higher educational institutions in the public and private sectors, the corporate sector, and state functionaries at district and division levels of Pakistan. In addition to practices being followed, a survey was also conducted as a primary data source. The panel discussion sessions were organized on three main themes. The first session focused on gauging the levels of understanding of performance management as it appears in theory, explained in the literature review of this paper. The panelists included educational managers, faculty members, civil servants, corporate sector employees, and owners of the businesses. In the second session, panelists dilated upon the complete cycle of practices in the organizations and the philosophies behind them. The third session was devoted to concluding and suggesting measures to comprehend and implement the performance management mechanism for enhancing the organizational outputs and providing work-life balance to the employees. The focus has been on the practices followed in the selected organizations to analyze those compared to standard performance management processes. As highlighted in the literature review, practices being followed in some other countries also provided a base for carrying out comparisons and drawing relevant conclusions in the case of performance management and measurement practices in Pakistan. Overall, thirty-five panelists from different kinds of organizations participated in the discussion. A list of panelists and discussion details is attached at the end of this paper.

4 Research Data Qualitative Analysis Procedure

4.1 Standard Expected Practices of Performance Management

4.1.1 Performance Management and Measurement:

As a standard practice, at the start of every planned cycle of performance accounting, it is customary to discuss the standards with the employees and take account of the expected performance. It includes both the aspects of performance, i.e., behavior and material accomplishments. Employees are expected to display this and exhibit the results during the planned rating cycle (Aguinis, [2009](#)). Behaviors reflect the intentions of an employee in getting the assigned job done, communicating with others, and providing mentorship to others. Some

employees achieve good results despite being unhelpful and averse to acceptable behaviors. However, such practices do not live longer and become unhealthy in the organizational functioning. On the other hand, employees, despite being interpersonally effective, sometimes do not achieve the set goals (Neely et al., [1995](#)). However, they make good teams and enhance organizational growth in the long run. Therefore, mutual understanding between managers and subordinates develops a strong bond for sustained performance and organizational growth. Mutual activities like reviewing employees' job descriptions, establishing a relationship between obligations and organizational goals, initiating a joint plan of action, identifying critical areas of concern, training needs of the working hands, and space for career development go a long way in developing ownership and continuity of work at the employees' levels. Successful supervisors and managers focus on clarity of performance objectives. The objectives and indicators are specific, measurable, attainable, relevant, and time-bound; the catchword is SMART (Lovett, [2024](#)).

4.1.2 Coaching and Ongoing Feedback:

Performance management, a continuous process, also includes coaching the employees to make worthwhile contributions without wasting effort. This is possible through periodic monitoring of the progress of assigned responsibilities and tasks to the employees. It does not mean that supervisors go into the practical domains of the supervisees, which would otherwise amount to interference—coaching and providing feedback aim to guide the corrections before they become too late. However, instead of micromanagement, managers should focus on intended results and behaviors (Buckingham & Goodall, [2015](#)). For this purpose, employees and supervisors must meet regularly to assess progress, identify barriers, look for changes in the work plan, and determine if extra support is required. Feedback, therefore, is provided throughout the employee's rating period. In either case of exceptional or ineffective performance, feedback is needed. Literature on performance management reveals that the practice is not regularly followed due to the deficient expertise of the managers and resultant hesitancy (Folan & Browne, [2005](#)). They sometimes avoid monitoring and feedback due to the fear of employees becoming defensive or demoralized. Contrarily, it should be taken as two-way communication and mutual obligation for the organization's growth (Neely et al., [1995](#)).

4.1.3 Employees' Input and Performance Evaluation:

It gives confidence and ownership to the employees for their self-evaluation and looking at their achievements against the planned objectives. When employees rate themselves, they consider the benchmarks achieved with evidence. The achievements are compared with the assessment by the managers or supervisors. During the discussion, two situations always appear: whether employees agree with the reported performance or not. There is no issue in the case of mutual agreement. However, the other situation leads to increased defensiveness, disagreements, and bad feelings between employees and managers; it happens if managers grade the employees less than they had rated themselves (Folan & Browne, [2005](#)). An alternative way is to ask employees to enlist their results or accomplishments at the end of the performance cycle. It gives ownership and acceptance to employees for better communication between managers and employees (Neely et al., [1995](#)). Competency credentials like knowledge, skills, abilities, and other characteristics are instrumental to organizational outcomes. It includes developing the human resources, coaching, and assessing them against the planned objectives. Employees at different job levels are paid according to their experience, responsibility, and contributions (Neely et al., [1995](#)).

4.1.4 Performance Review:

In any performance management system, employees and managers must jointly appreciate the achievements and shortfalls. In the process, they reach a consensus of ratings, evaluation, and agreements for the shortcomings. These things provide the rationale to build narratives, conceptualize plans, and develop activities for a way forward in the functioning domains of the

organization. The review identifies performance objectives that could not be achieved as development areas in the next cycle. If the objectives have been achieved as planned, management and employees look for the next performance stage. (Neely et al., 1995). The review process also helps identify gaps for assistance from the top management or flanking organizations. Managers must also consult notes prepared throughout the reporting period to assess employees' performance. Accomplishment is always measured relative to the goals set at the beginning of the performance period. (Lovett, 2024). This practice is based on organizational objectives used as guideposts for creating individual employee performance benchmarks. The objectives represent the joint efforts of managers and their subordinates. Here, the main focus is on achieving objectives, not how those shall be achieved.

4.2 Analysis of Practices, Pakistan, a Case in Point

4.2.1 Conclusions from the Survey Based on Two Questions

As referred to under the problem statement and research methodology, there was a simple survey about understanding performance management and its applications in organizations. It was based on two simple questions: What kind of performance management system is in practice in your organization, and how good has it been? The respondents were faculty members of universities, employees of the corporate sector, and managers cum officials from the public sector organizations. The random responses from 150 respondents have been: 70% termed annual performance reports as performance management systems, purely the responsibility of the employees. 30% said their reporting mechanism includes annual performance reports and counseling registers maintained in the setups. Concerning the effectiveness of the in-practice systems in organizations, over 90% said there is no system of mutual discussion before the start of the performance cycle. Less than 10% said they were briefed about what they would achieve in the upcoming year. However, there was no follow-up. This means performance management is without measurement, which turns true to the saying that the outcome, which is not measured, cannot be improved or planned for development. This means that the employees, middle tier, and upper management are not utilized to the maximum in Pakistan's organizations. If the performance planning system, midcourse guidance, evaluation, measurement, feedback, and reviews are adopted and the entire functioning on scientific grounds, the organizational performance in Pakistan can be substantially multiplied. Developing countries like Pakistan can draw relevant conclusions from the study.

4.2.2 Conclusions from the Panel Discussions

There were three rounds of panel discussions, per the details attached at the end of the paper. The discussion themes evaluated the levels of understanding of performance management and the performance management cycle and suggested a way forward. The discussions concluded that public sector organizations are bureaucratic in outlook, functioning, and view of the culture, and their annual reports are the basis of their career progression in most cases. In some public sector organizations, education in particular, there is some flexibility in adopting new techniques, but most are inflexible and follow an annual performance evaluation system. Since they have job cards elaborating on their duties, they follow the same rules throughout the reporting cycle. They have fixed timings, salary, other privileges, and routine management, not growth; hence, the status quo culture suits them. The corporate sector is ownership (Seth) driven; hence, it works on a flexible working philosophy. Performance management is unconventionally based on the performance displayed; it is not time-bound. Target achievement is the main criterion for better performance, which the employer decides. It was concluded from the panel discussion that most private sector universities follow performance management with the involvement of all stakeholders, which is collaborative and distributive. It contains self-assessment and evaluation by the supervisors and executives according to the degrees of contact levels. However, the system lacks mutual planning

and teamwork to plan, monitor, and measure the outcomes. The panelists unanimously agreed that organizational performance in all business and service organizations can be enhanced through planning, output measurement, and equitable reward systems in Pakistan's public and private sector setups.

An adequate system of managing the performance of individuals and teams maintains a continuous follow-up of the outcomes to compare it with organizational growth and gains. It provides a base for assessing organizational performance. Principally, it is directly proportional to the sum of the individual and team efforts. Computing and information technologies facilitate the consistent management and measurement of human resources performance. Facilitating tools align the KPIs with the organizational vision, mission, and objectives. It also helps harness performance appraisal and employee development based on the performance reviews. These systems sometimes suffer shortfalls, which are reflected in the employees' performance. According to a survey by Watson Wyatt, only three out of 10 workers agree that their company's performance management system helps improve performance (Markus & Markus, 2004). At the same time, less than 40 percent of employees said that their systems had clear goals, could generate candid feedback, and effectively used technology to streamline the processes (Pulakos, 2016). These survey results indicate that management systems in many organizations are inappropriately designed. At the same time, it faces challenges like its use as a threatening instrument, especially for the employees. Sometimes, managers become reluctant to provide candid feedback under threatening situations due to fear of damaging relationships and reputations. During panel discussions, it came to the limelight that proper reporting is complex due to fear of annoyance and developing bad taste, leading to personal enmity in the functioning of organizations.

5 Conclusion and Discussion

Human and material resource management is exploiting their potential to the optimum. Modern computers and information technology have made them somewhat more straightforward and a prerequisite to organizational growth in recent times. Whether it is a commodity or services industry, sustainability and survival rest on competitive quality and price. Human resources, being dynamic, stands at the top for organizational growth, the financial health of the firm, reputation in the market, and integrated functioning. The study has concluded that shortfalls in the performance management of Pakistan's private and public sector organizations are a case in point. Only a satisfied human resource is productive in businesses, and that is possible through a justified performance measurement and corresponding reward and recognition system. Further studies on measuring the satisfaction level of individuals and teams in organizations can lead to refinement in the management of human resources therein. The bottom line is that proficiency is teamwork, and growth is an outcome of performance management, where improvement is built upon identifying shortfalls.

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