

Strategic Performance Management
Prof. K. B. L. Srivastava
Department of Humanities and Social Sciences
Indian Institute of Technology, Kharagpur

Lecture – 01
Introduction to Performance Management

So, good morning everyone. I am offering this course on strategic performance and I hope that this course is going to help you to manage your performance effectively when I am going to talk about this course on performance management the basic idea is that.

As an individual, you are able to manage your performance. Not only as a individual, but you can also help to see that how your group or team is able to manage performance and it is going to contribute to organizational performance so that organization is able to achieve its goals and objectives. Now coming to this course on performance management, one thing that I would like to tell you is that this course is meant for master students of business administration and those industry professionals, who would be interested to see that how they are going to manage their performance in organizations. This course has been designed with the intend to ensure that, people from the industry as well as those who are doing the masters are going to benefit from this course. The idea is that how we are going to look into various nuances issues related to performance, and how we are going to manage it well.

So, with this we are going to start the first lecture and here I am going to talk about how to start thinking about performance right. So, in the first lecture probably, we will discuss about understanding certain issues meanings and definitions related to performance and performance management.

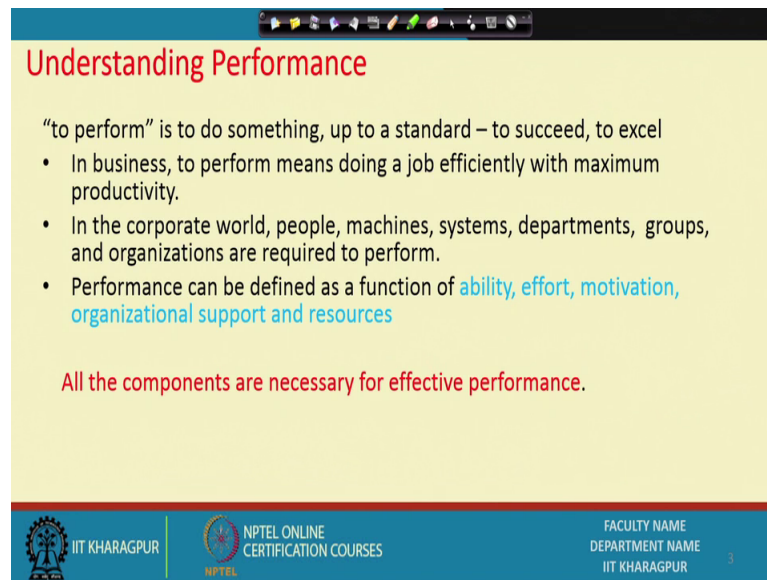
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Now if you look at this figure what does this show now if you look at this figure you can see that the arrows are going up down then again going down. And then going up and now if you look at this figure this shows that how the performance has to go up, I mean how they are going to see that they are able to maintain a better performance. Now what does this arrow suggests? It shows that the performance was good, then again people have been trying to manage their performance holding it back, then again trying to climb up, then again it flows down and then again it goes up. This shows that it is very very important to manage your performance as a individual, as a team as well as a organization.

So, this can be applied to all the context, whether it is individual whether it is team or units departments or whether it is an organization. Now it is very very important to understand that why we need to manage our performance. But before we discuss more on performance management, we have to look at how we are going to define performance as such.

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Understanding Performance

“to perform” is to do something, up to a standard – to succeed, to excel

- In business, to perform means doing a job efficiently with maximum productivity.
- In the corporate world, people, machines, systems, departments, groups, and organizations are required to perform.
- Performance can be defined as a function of **ability, effort, motivation, organizational support and resources**

All the components are necessary for effective performance.

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Now if you look at this, what does it mean to say that yes perform. When I say that I am going to perform certain things, it means that you are trying to do something meeting sub certain standards. So, that you are going to succeed achieve a goal, in your personal or professional life. See most of us are going to do certain things with an objective, it is not that we are going engage in any kind of activities without any goal or without any objective.

So, it is very very important to decide, what is our goal or objectives which we need to achieve and in order to achieve that goal and objective, whatever activities we are doing would come under this what you call performance, right.

So, when we say to perform, within in coat it means that we are going to engage with certain activities right. And these activities must meet certain goals or standards, for which we are striving with the objective that we are going to be successful we are going to be effective we are going to excel in our efforts right that is related to individual performance now. Let me give an example suppose as a student you want to perform well in a program or in a particular course. So, when you say that as a student you want to in perform well.

So, you must have setup certain a standards say that you the kind of grade or the guide and the kind of percentage that, you want to achieve because that grade and percentage which is going to act as a standard is going to decide whether you have been able to

reach to that goal or not. So, you must decide a goal or a standards against which you are going to compare your performance later on right. So, suppose you have decided that that I want to achieve at least seventy five percent marks in this course.

So, this is going to act as a standard or you want to achieve a c g p of eight. So, that is going to act as a standard. Now we need to decide about this because that help us or motivates us to perform better right. And in order to achieve these goals and objectives what we do we try to see that how we can achieve it. So, we engage in certain activities we study hard, we try to do everything that is possible to ensure that we are able to achieve this performance level right. So, that is way to individual slight.

Now, when we come to business what does it mean? Because when you are going to perform a job in an organizational context, it means that you are going to do whatever is given in terms of job responsibilities, to ensure that you perform efficiently right and you are able to be productive. When we say that you are going to be productive it means that your output input ratio is either meeting the standards of performance or it is exceeding those output input ratio which you have set for yourself. So, in case of business performance means are when you are going to do certain things, it means that whatever you are doing whatever is being given to you as a part of your job, which is mentioned in your description in terms of your duties and responsibilities, you are going to perform there well right.

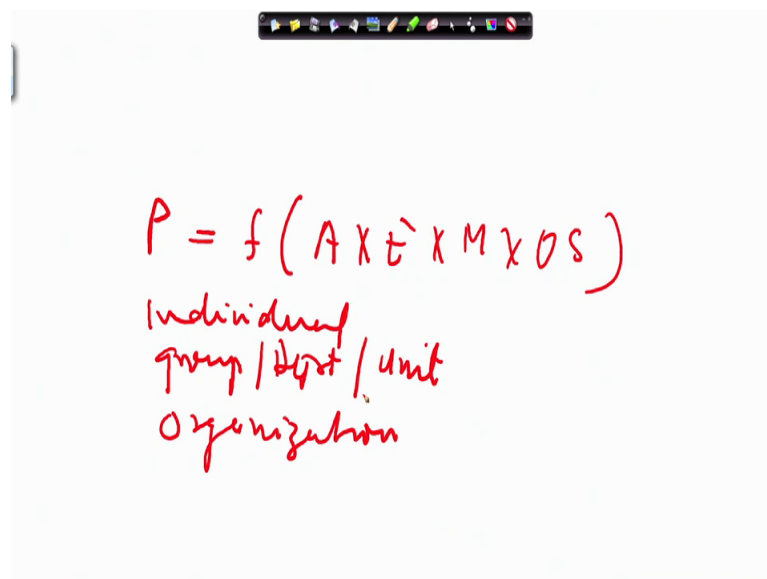
Now, in corporate context what happens? We are talking about individuals and how they are going to perform well in the context of organization. Now how you are going to measure your performance in organizational context. We are going to see that you are able to reach to certain targets in terms of number of units produced, number of targets or sales that you have or depending upon the requirement of the job whatever standards have been set you are able to achieve that. Moving to the performance at the macro level what when you talk about the organization, when we talk about organizational performance it is measured in terms of market, profits, shares, growth development. So, there could be a number of measures that could be used to measure performance at the organization level.

Now, when we are talking about performance at the organization level, it is possible only when everyone in the organization performs well. Not only the people, but do you have a

good or effective systems. So, machines are working, your departments are effective right. So, everyone is going to perform well only then you can think about an effective corporate performance right. So, when you are talking about corporate performance, it is the sum total of the individual performance moving to the group or team performance, moving further up to what you call the department performance and then you sum up the department performance because all departments are going to contribute to organizational performance.

Now, another issue that is related to performance is that, how you are going to define performance. So, one thing I would like to share is that when we talk about performance, it is a function of what a number of factors and this could be applicable to all context whether you are talking about individual whether you are talking about group or whether you are talking about organizations. So, when we say that we need to understand performance as a function of these factors. So, we can write these equations something like this.

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$$P = f(A \times E \times M \times OS)$$

Individual
group / Dept / unit
organization
organization

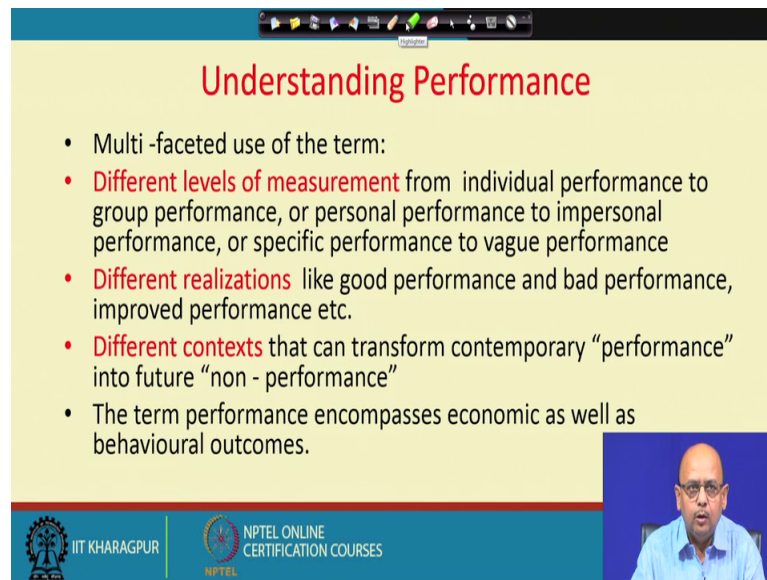
Performance is a function of ability into effort into motivation into organizational support. Now when we are talking about this factor and we say that performance is a function of ability, effort, motivation and organizational support, it means that each of these factors are going to contribute to your performance. Either as a individual or a group or department group department or unit or what you call as a organization.

The same formula can be applied to all kind of context for example, when we say ability, it is the ability of individual which is going to see or determine your performance. Similarly it is the ability of the team or ability of the organization or the competence of the organization. Now another issue is relate to effort, how much effort is made by individual to complete a job right. So, effort is another important issue what kind of effort is made by the organization or the individual other group.

Similarly, the motivation. Motivation basically applies to individual and group, but it also applies to organization. So, when we say individual people are people really motivated to perform well, they are really interested, have commitment is really engaged in what they are supposed to do. So, if that happens it means that people are motivated and if it is not then we cannot say that people are motivated to perform well. So, ability effort and motivation combines together and with the help of support from the organization, because in order to perform your job well you also need help from machines, equipments, your managers, commitment and support from line managers commit into sorry resource and infrastructure, you also need support of the top management because they are going to provide the resources to you and your department. So, this support is very very important it also include the kind of culture that you have in organization.

So, all these factors contribute to your performance. So, when we are talking about organizational performance it is nothing else, but a function of ability effort motivation and organizational support. Now when we are talking about this we are moving to another important factor that is it is very very important to see that yes it is a function of ability effort motivation and all kind of things, we need to ensure that all these components are present for effective performance right. Now we will look into some other issues to understand performance in a different context. So, when we are looking into these issues, we want to see that how you are going to improve the performance and then we are going to see that we are able to improve our performance very well.

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The slide is titled "Understanding Performance" in red text. It contains a list of five bullet points. The first bullet point is "Multi-faceted use of the term:". The second bullet point is "Different levels of measurement" from individual performance to group performance, or personal performance to impersonal performance, or specific performance to vague performance. The third bullet point is "Different realizations" like good performance and bad performance, improved performance etc. The fourth bullet point is "Different contexts" that can transform contemporary "performance" into future "non-performance". The fifth bullet point is "The term performance encompasses economic as well as behavioural outcomes." In the bottom right corner of the slide, there is a small video inset showing a man with glasses speaking. At the bottom of the slide, there are logos for IIT KHARAGPUR and NPTEL ONLINE CERTIFICATION COURSES.

- Multi-faceted use of the term:
- **Different levels of measurement** from individual performance to group performance, or personal performance to impersonal performance, or specific performance to vague performance
- **Different realizations** like good performance and bad performance, improved performance etc.
- **Different contexts** that can transform contemporary "performance" into future "non-performance"
- The term performance encompasses economic as well as behavioural outcomes.

Now, we need to understand this performance further.

As I sit that this term used and has a number of dimensions. Now the first thing that we are going to talk about is that how we are going to measure performance. As I told you that we are going to measure performance at different levels it could be at the individual level, where you are going to see that what is your standard how you are going to measure it, we are also looking at performance at the group level. The individual to personal performance to in personal performance when you are going to work as a team because there the individual performance does not matter we are going to talk about the individual performance or we are also going to talk about some a specific performance where you are going to set a criteria standards.

For example, say suppose you want to say that you want to produce x number of units in a given time frame. So, that is an example of specific performance, a wake performance where you are not clear what is that you want to achieve in a given time frame right. So, there could be different levels of performance from individual to group from individual to tem or a specific to a performance right.

Now, we also examine that whether the performance level that has been achieved is good or bad in terms of its quality right. So, when we are going to realize this in terms of achievement or performance, we give examples like good performance or bad performance. Suppose we are not able to achieve the goals and standards we say that the

performance is not good. If you are able to achieve good performance or meet the target are our performance is efficient then we say that yes it is a good performance, or suppose we want to improve our performance it means that we reached to a certain level of performance and then you want to see that how you can move up the performance (Refer Time: 14:10). So, that is what we call improved performance.

It means that my performance compared to my earlier performance has improved or changed, and this means that now my performance everything is better than the last performance in the time frame. Now another important issue is related to the context in which you are going to perform. Whether you are talking about performance in the contemporary form, that is what contemporary performance contemporary means that performance is today's context today's environment, or we are going to talk about into future. Similarly talking about performance or non performance, whether you are performing at all or you are not going to perform at all. So, there could be different actually facets of performance like a whether you are going to measure individual to group performance, they are different (Refer Time: 15:07) from good to bad performance different context whether today's performance or tomorrows performance.

Similarly, if you try to measure the performance it includes both economic criteria as well as behavioural criteria like for example, if you are able to produce n number of units or you are going to sell n number of units. So, you are generating a certain revenue to set that is relate to economic performance.

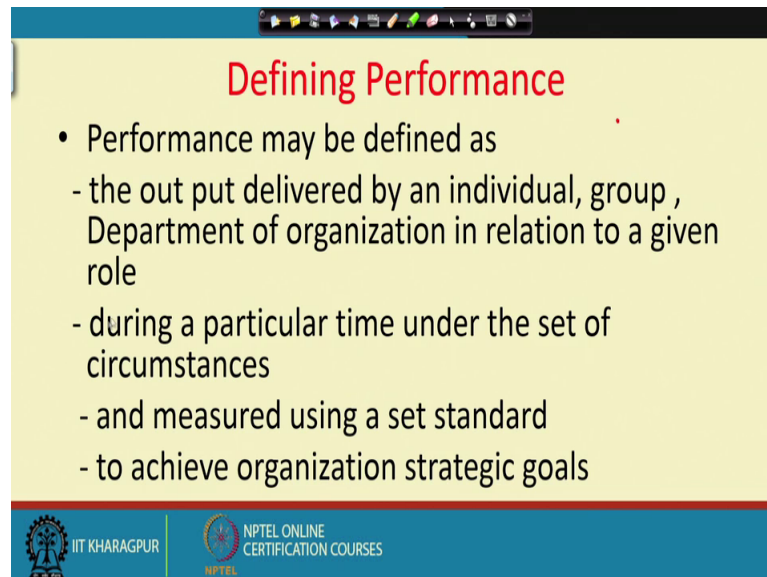
Your behavioral performances suppose you have good interpersonal skills, your leadership quality which actually motivates your subordinates to perform well. So, that is a behavioral criteria for measuring performance. So, once we have understood this various facets of the performance, at the next level we are going to see that how we are going to take the performance at the next level. And here what we are going to talk about is that how we are going to move the performance at the next level.

And in this case we are going to see that this performance is going to be improved in a different ways.

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So, when you are going to move this performance to the next level, we are going to see that; what are the various dimensions that we are going to use for measuring performance. So, here we are going to talk about certain things related to dimensions of performance.

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The slide is titled "Defining Performance" in red text. It contains a bulleted list of performance definitions. At the bottom, there are logos for IIT Kharagpur and NPTEL Online Certification Courses.

- Performance may be defined as
 - the out put delivered by an individual, group , Department of organization in relation to a given role
 - during a particular time under the set of circumstances
 - and measured using a set standard
 - to achieve organization strategic goals

So, we have looked into the various facets of the performance, now what you are going to see that how we are going to define the performance of a individual right.

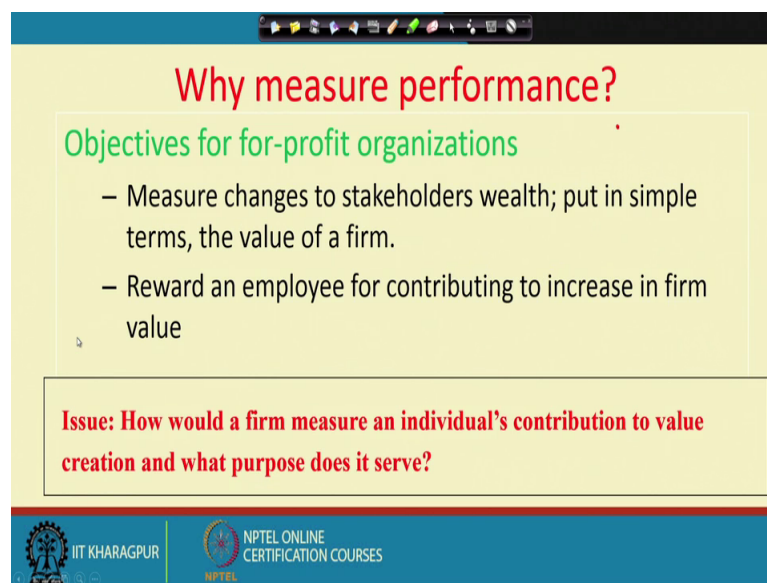
Now the performance is defined as the output that is delivered by a individual group or department of an organization, in relation to a given role. Now if you look at this definitions of performance it says that, it is the output which is produced by a individual a group or a organization and this output is based upon the activity that is carried out by the individual group or the department and this also has a time frame, because you cannot carry on doing the same thing time and again because the time factor is very very important. So, we have to perform within a given time frame. So, suppose you have produced or supposed to produce n number of units. So, this n number of units has to be produced in a given time frame say one hours, 8 hours, 10 hours because your performance would accordingly be measured.

And another important factor is the circumstances the context or the environment in which you are going to perform, and all these is going to affect your performance and then this performance is going to be measured using a set standard and then also have a

criteria and this criteria is going to be for the individual group as well as department so that your performance is going to be measured right. And the idea is that your performance is going to contribute to the goals and objectives of the organization.

So, it has to be seen that how your individual performance is going to contribute to the group or the department performance, similarly you also need to see that how your department performance is going to contribute to the organizational performance and it has a time frame not only a time frame, but it also talks about the context in which you are going to perform and then you are going to measure a performance using set standards that is the criteria against which your performance is going to be evaluated, and you also need to ensure that how it is going to help the organization to achieve the goals and objectives of the organization.

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Why measure performance?

Objectives for for-profit organizations

- Measure changes to stakeholders wealth; put in simple terms, the value of a firm.
- Reward an employee for contributing to increase in firm value

Issue: How would a firm measure an individual's contribution to value creation and what purpose does it serve?

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Now, moving further, the thing is that why we are going to measure performance. Now when you are talking about measuring performance, especially for business organization because business organization are supposed to be profit based organizations right because we need to ensure by measuring the performance whether the organization is growing or not, whether it is making profit or not, whether it is generating revenue or not and that is to everyone. So, the objective is to see that whether our performance as a individual organization is going up or not. Because if we are going to perform well it is going to contribute to organizational performance and if organization is going to

contribute well, it is going to create value for all the stakeholders in the organization and these stakeholders include employees, customers, suppliers, everyone which would create a value for the firm.

So, basically performance creates a lot of value to the organization, and it is also going to be a rewarding experience for the employees because if the organization is going to perform well, the individual would be awarded accordingly and then they would contribute to increase the value of the firm right. Now the issue is that; how would a firm measure an individual's contribution to value creation and what kind of purpose it serves. So, the idea here is that you need to see that as an individual, what is your contribution to organizational performance right. Whether you are going to measure it in some way qualitative or quantitatively or quantitatively? And if an individual is contributing to firm performance to create value, it means that you are going to create value so that every; it is going to increase or make certain changes in the wealth of the stakeholders, including employees and customers and everyone. And how do you know that the performance has improved unless you are going to measure it.

So, it is the and that is why it is very very important that organizations are going to measure the performance of the individual to find out the extent to which they have contributed to value creation of the firm, and that is one of the factors you can say for this kind of things.

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**The value concept
(Results control)**

- The performance measurement concept indicates that employees can increase the value of the firm by
 - Increasing the size of a firm's market,
 - By accelerating the revenue generation, or
 - By making the firm grow .

If you are a manager, how would you increase the Profit ?

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Now, another issue is that why we are going to manage performance.

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Why manage performance

- To reach organizational mission and goals
- Encourage and reward behaviors aligned with organizational mission and goals
- Curb or reduce non productive activities

IS PERFORMANCE MANAGEMENT IMPORTANT?

68% (2014) → 75% (2015)

94% of leaders believe performance management drives business performance.

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Now based on these discussions as you have seen we have found out that yes, it is very very important to manage performance.

Now, if you look at the statement that it says that yes if you are not able to manage performance, then it is very difficult to achieve goals and objectives of the organization. You also you cannot encourage them reward be heavier, because if the performance is not good then it is very difficult to reward those employers because performance is linked with the reward, and you also need to ensure that the individual behavior is aligned and contributes to the goals and objectives to the organization. So, the idea is that when you are going to manage the performance of the individual you need to motivate them, you are going to reward them. So, that they do certain things or perform in such a way. So, that it contributes to organizational performance.

Similarly, you also need to be ensure when it comes to managing performance that you are not going to do certain things which could be termed as unproductive because for going to engage in unproductive activities then it does not contribute to your performance. Either as a individual or a group or a organization. Say for example, as a student, you have to see that how you are going to manage better performance. So, you need to identify what are the activities which contribute to performance. And what are those activities which does not contribute to performance, and if you engage yourself in

those activities which does not contribute to performance, then those activities could be termed as unproductive ok.

So, once you understand these issues. So, you will be in a position to identify and understand; what are those activities, which are unproductive and you make an effort to reduce those activities. Now if you look at these two figures it suggests that yes why performance management is important because if you are able to manage your performance well what happens? You are able to improve your performance to certain level right and most of the studies also have found that yes, if you think that if you have a good performance managing system in place either if as a individual or in organization it would lead to better organizational performance.

And with this we need to ensure that yes and that is why organizations are moving to organizational performance and this kind of activities. Now moving further, if you look at we talked about the use value concept it means that performance creates value right. So, when you are talking about performance it means that you are going to talk about result, it means everybody who is working in a organization is supposed to contribute to the performance of the organization.

So, you have to say that how you are going to increase the value of the firm right. For example, if you are a manager then how would you increase profit; by increasing the firms market, by generating more revenues or by ensuring that the firm grows. So, the concept of value creation is very very important because everybody in the organization is supposed to create some value, and this value is measured by what your performance because the performance creates value. So, everybody in the organization is supposed to create value for the organization.

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Defining Performance Management

- A Continuous Process of Identifying, Measuring and Developing performance of individuals and teams and aligning performance with the strategic goals of the organization.
- An assessment of an employee, process, equipment or other factor to gauge progress toward predetermined goal.

The slide includes a hand-drawn diagram titled "Performance management" with various related terms: IMPROVEMENT, SCOPE, TIME, MONITORED, GOALS, EFFICIENCY, PRIORITIES, and BALANCED SCORECARD. The diagram also shows a person icon and a clock icon.

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Now, coming to performance management because so far we have talked about what is performance, and we discussed what various facets of performance right. Now if you look at performance management and if you look at this picture, it talks about lot of things that we have just talked about right. For example, you have a goal you have to see that how you are going to measure it, you also need to monitor it you want to see that that performance is measured in a given frame time and the idea is to improve the performance right.

So, if you look at the definition of performance management, it says that yes its a process through which you are going to identify measure and develop performance of the individuals and teams both, you also need to ensure that your performance is aligned with the goals and objectives of the organization right. So, there are three things that is very very important; you I you need to identify what is your performance goals. You also need to see that how you are going to measure it and you also need to improve your performance so that your performance contributes in a better way to the goals and objectives of the organization.

But how it is possible unless you assess the performance? Assess the performance of whom of the individual the processes that the organization has right and also the organization using a predetermined goal, that is the set standards which you have already set against which your performance is going to measured right. So, what is to be done

when you are going to measure performance is that, you are going to assess the performance of the people or the teams to see that how well they have contributed against the set criteria or the standard which is decided in the advance.

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The slide is titled "Two components of the Performance Management Process" in red text. Below the title, the word "Process" is underlined in red. The main content is "Continuous Process- Ongoing, involves a never ending process of setting goals and objectives, observing performance , coaching and giving and receiving feedback" in green text. A central image shows interlocking gears with the words "process" and "continuous" written on them. At the bottom left, there are logos for IIT KHARAGPUR and NPTEL ONLINE CERTIFICATION COURSES. At the bottom right, there is a small video inset of a man speaking.

Now, if you look at this definition it talks about two things one that yes its ongoing process it is a continues process, what I mean by continuous process that it is not that once you have managed and reached effective performance level you are going to stop.

Then the next performance cycle starts. Suppose I have achieved certain targets is it over know then again for the next year, next year we are going to have some other performance criteria, and then again we engage in certain activities to meet it. So, the idea is that it is a continuous process where you are going to be involved in a never ending process or setting goals and objectives, looking at your performance and see that what kind of feedback you are receiving in order to see that yes your per you are able to achieve performance. So, it is a continuous process.

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Alignment with strategic goals

Managers need to ensure that employees activities and outputs are congruent with organizational goals.

The diagram shows a 3D pyramid structure representing goal alignment. The pyramid is divided into four horizontal layers, each labeled on the right side: ORGANIZATIONAL (top), PROGRAM, PROCESS, and PERFORMER (bottom). Each layer contains a certain number of blocks, each labeled 'GOAL'. The ORGANIZATIONAL layer has 1 block, the PROGRAM layer has 2 blocks, the PROCESS layer has 3 blocks, and the PERFORMER layer has 4 blocks. The blocks are arranged in a way that they appear to be stacked and aligned, with the top block of the ORGANIZATIONAL layer sitting on top of the two blocks of the PROGRAM layer, and so on. The word 'GOAL ALIGNMENT' is written diagonally across the base of the pyramid.

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Similarly, another thing that we have been talking about the lining with these strategic goals. Now if you look at this figure it would be clear to you that, how you need to ensure that your activities and outputs are congruent with the goals and objectives of the organization. What I mean to say here is, that you look at this load level you have individual level goals, then the next level you have the group levels or the department levels or the program level and then finally, at the organizational level.

Now, the idea is that the individual goals contribute further to the department or the group and then it further contributes to organizational goals. And all of them are aligned means yes you need to ensure that you are going to contribute to ultimately the goals and objectives of the organization.

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Difference between Performance management and performance appraisal

▶ PM	➤ Performance appraisal
▪ Strategic business considerations	▪ Assesses employees past performance
▪ Ongoing feedback	▪ Strengths & Weaknesses Done once a year
▪ With the objective to improve employee performance	▪ Lacks regular feedback
▪ Driven by line managers	▪ Driven by HR managers

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Moving further you can see that we have been talking about the performance management, and there is another concept that you know is performance appraisal.

So, we need to differentiate between performance management and performance appraisal. If you look at performance management, it is done with certain strategic business considerations. Why I am calling it as strategic business considerations that is that you need to ensure that organization is ultimately able to create wealth for its stakeholders, and this wealth creation process happens only if you are able to better manage performance at different levels right. That is the basic objective of performance management system and then you also give regular continuous feedback that how the system the process the group or the individual are doing. So, it is a continuous system feedback we have which helps you to identify and find out where you are and what you need to do in order to achieve the goals right.

And that also helps to improve your performance and this performance management is driven by the line managers because they are concerned above to the performance at different levels. So, performance management is something that is a more holistic compared to performance appraisal, because performance appraisal is just a subsystem or a component of what you call performance management. In case of performance management what you do you are going to look at employees past performance, you are able to identify how well he has done, what are his strength and weaknesses and that is

done periodically may be in a 6 month or in a year right. But it does not give you continuous feedback, at the end of the performance cycle you tell him that this is what your performance is, and this performance appraisal the responsibility is with whom with the line managers, and that is how we try to differentiate between what you call performance management and performance system, performance appraisal. Moving to the next part we will talk about that at later stage.