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Lecture – 10 Strategy and performance alignment

So, welcome back to the last lecture of this week that is lecture 10, and now we just discussed about if you remember in lecture nine, that how we go about alignment of vision goals, and strategy at different levels, to be presented a hierarchy of strategies, that has to be congruent and consistent with each other.

Similarly you also see that how we are going to align them. So, now, in this part, or in this lecture probably, we are going to see that how this strategy and performance can be aligned, because these strategies are made in order to achieve the goals and objectives of the organization. So, in what way these strategies going to help, to achieve the objective and what kind of alignment we are looking forward to.

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Now,. So, when we are talking about alignment and performance management. So, basic so, far we have been talking about the alignment right. So, here what we have been talking about, that the extent to which employees are connected to the units in terms of what their goals and objectives the extent to which units are connected to the corporate office right, because if you look at this alignment it has to be consistent across the

cooperate business units and also at the unit, and also at the individual and the group level. So, when we are talking about alignment says the extent to which employees are similarly connected to or have a consistent line of sight. It means that everybody is going to see the common thing, which is related to the vision and mission of the organization and also their strategy. So, so far we have been talking about vision mission and strategy of the organization.

So, make sure that everybody is thinking alike, when it comes to vision mission and say cooperative strategy of the organization; otherwise what will happen if you are thinking in different directions, you are not connected well with the similar thing probably you will not be able to achieve what you want to have right. So, if you look at this alignment it has three elements.

The first element is that how employees behavior and result with the unit department and overall other organization is aligned. So, that is what we have been advocating so far. So, you need to ensure that yes the employees behaviors and performance, is contributing to the unit performance right. Then are the department performance, then the department is going to contribute to the unit performance, then unit is going to contribute to the organizational performance, and this has to be aligned.

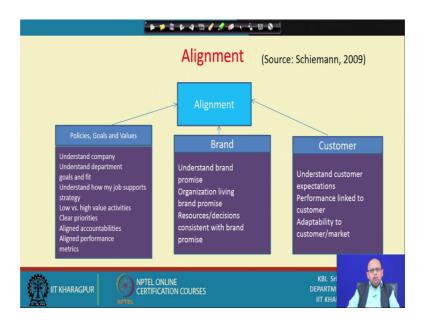
So, there has to be a common set of thinking, across the difference hierarchy of the organizations, starting with the corporate level, business unit level, the department level and the organizational level right. Now another kind of connect connection that we need to look at it, probably we have not looked at earlier, is that how it is aligned with the links and that is expectations of the customers.

Because ultimately whatever you are doing for in the organization, is to satisfy the needs and expectations of your customers right. For example, maybe in an educational institution, we have aligned our activities and contributing to the organizational performance. Very good, but whether we are also fulfilling the needs and expectations of the customers, say for example, of an (Refer Time: 03:45) educational institute, who I have customers their businesses industries the government, because that is where the people are going and working, after passing out from here. So, you have to see that you are going to produce goods and services, which meets the expectations of the customers. So, you need to go for another kind of alignment and need to ensure that your products

and services are aligned with the needs and expectations of the customer; that is more important. Now third kind of alignment is, that you have to see that your behaviors in sync with the organization. So, you need to see that in what way you are going to con contribute, to the organization in terms of its the reputation, its brand image and these kind of things right.

So, here we are talking about three different types of alignment, and all of them actually are linked with each other

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Now if you are look at this picture, it would be clear to you that how we go about this kind of alignment. So, we talked about three kind of alignments, at the individual level, at the brand level, at the organizational level, brand level, and also at the customers level now if you look at this you can see that how each one of them, are going to have alignment with each other. So, now, look at the first point; that is policies, goals and values.

Now the thing is that as a individual or as a group whether you understand what the company is doing, and what kind of business it is. What is the objectives goals and organizations of your department, and whether you know that how your department goals are going to fit into the organizational goals objectives right. Similarly you also see that how your job is supporting or contributing your performance, or to supporting to the strategy of the organization right, and what kind of activity you are doing whether your

activities are creating high value, or low value, means depending upon your contribution, and its relevance and importance for the organization. So, you create low value, if you are doing certain thing, which does not contribute much, which is not important and relevant.

So, it is not a value addition. Value addition happens only when you are doing something which is critical, important and relevant for the organization, and contribute to the performance of the organization right. So, you have to see that you are going to create high value activities. So, which leads to value addition to the organization, not only to the individual, but also to the organization, then you should be clear about your priorities what you are doing right. In what way you are going to contribute.

So, you decide about what your priority in terms of activities. So, you do those things, which contribute to high value activities. Then you also need to see that your accountabilities and performance are aligned with the department, and unit, that is very important. For example, you are doing certain things, which contribute to the department performance, department performances then is aligned with the unit performance right. And at the same time you are using certain matrix to evaluate, performance at different levels right.

Now moving to the next part that is the brand, that how this brand is going to help you to align, which also directly or indirectly link to performance right. Now as a individual you are working in an organization. So, you are also contributing in developing the identity of the organization, its reputation and it's a, and organization as a brand right. For example, the moment I say that yes I am a student of IIT Kharagpur. So, what does it mean?

It gives certain signal to the people, or it communicate certain understanding to the people that, who I am and what I am doing here right. So, you have to understand the promise that is given by the brand, it mean that it signal certain things in terms of quality, in terms of consistency, in terms of characteristics, in terms of knowledge skill that you have right. So, it is very important that you understand these thing, that in what way you are creating the brand; that is required by the organization right. So, it depends upon how you are using your resources, how you take decisions, whether your activities are consistent with the brand or not.

For example, if you are not ethically behaving. So, you are basically damaging the reputation of the organization right. So, some of your activity may be related to, not deteriorating performance, but looking at, it you can say that it is going to affect the brand value of the organization. For example, as a student of IIT Kharagpur, if you are say applying for a job, and you are attending the interviews, and then interviewer expects something from you, that yes you are a from IIT. So, he expect certain things from you.

Ok, but if you are not consistent with the brand promise, what IIT Kharagpur delivers, probably you are damaging the reputation of the brand. So, it is very important that is your activities are aligned with the brand. So, that you are able to build up the reputation anxiety of the organizations right. And third thing that as I told you is related to what you call the customers. This alignment is also required at the customer level, because whatever you are doing, ultimately you are going to market your products and services, outside the organization.

So, you must meet the requirement of the customers. So, make sure that whatever you do, in terms of activities, leading to products and services, is meeting the expectations of the customers right. So, because your performance is linked with the customer, if customer is not going to adopt to your product probably you are not be able to do your business well. For example, if students who are passing out from say IIT, are not getting a job, in terms of not meeting the business meets or the industry meets then what happens. It means that it raises a question about the credibility of the IIT Kharagpur.

Not only as a brand, but also the kind of students that we are producing right, it also raises a question about the quality of best students. So, it is very important to ensure that you are going to produce goods and services, which meets the requirements of the customers. So, for that what you need to do is, that you need to understand what is their requirement, and accordingly you adopt that into your activities. So, that you are going to produce goods and services, which is meeting the requirement of the customers. So, we have talked about alignment at different levels at the individual level, at the brand level, at the customer level.

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Now what we are going to discuss further that if you are not able to align well then what happens. For example, the example I have just given that if they there is low alignment you are not meeting the customers requirement, in terms of offering good quality students then, probably you are not contributing to the brand image, and that you are basically damaging the reputation and anxiety of the organization right.

So, if you look at some of the consequences, which are negative in the approach like confusing brand promise. It means that either you are not suitable or the your brand is not good. So, the customers may be confused, whether you are really a student of IIT, or you are not fitting into the system. So, they will think that the kind of promise that they expect from the brand is not coming forward right. So, you are, you might be doing certain activities which are not aligned, with the units or the goals of the organization then, it means that whatever you are doing it is not a value creation activity.

So, sometimes what happens, we perform certain urgent activities, which may not to be important. So, these urgent activities, may not be contributing or ne may not be adding value to the business, what adds value to the business is those important in critical activities.

So, whether you are performing those important critical activities, or you are doing something that comes to you, and considered as a urgent, but it is not contributing to the business right. Similarly if you are not able to compete, because the productivity is low

so, that is also leads to what you call low alignment. So, the business impact of low alignment is very bad, because if you look at the non competitive costs.

Non competitive cost means that you are not able to compete that what happens, your product would be bad, sales would be worst, your revenue will not be generated. So, there could be different kind of cost which may result from low productivity. Then misdirected activities are talents, if the kind of talents, that you have you need to ensure that you are going to go for a maximum utilization, or what you call a optimal utilization of a talent, and make sure that your talent is matching the requirement of the organization. So, that there is a better job percentage. So, you need to use your talent judiciously in a optimum way.

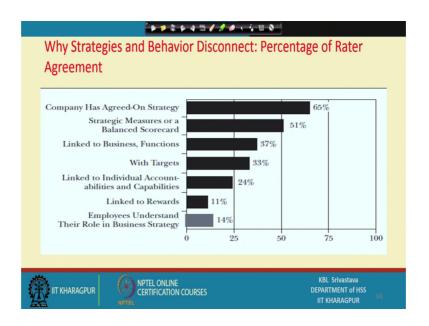
So, that it contributes to the performance, but if you are doing those activities or if your talent is doing the those activities, which is not required not is not relate to any kind of value added addition, then what happens. Again your activities are not aligned with your own performance, and your performance will not be able to contribute to the organizational performance. Another important issue is that do you are working hard, but not smart. So, it is very important to identify what are those critical activities right, and you remember in the beginning we talked about key result areas that we performance areas.

So, you need to identify what are those key performance areas, which contributes maximum to the performance, and then you focus on those commit yourself, be motivated enough put your effort. So, that you are able to achieve these goals instead of doing, so many things which does not contributes your performance, but it might lead to lot of stress and burn might burn out (Refer Time:14:16). So, you may feel later exaggerated, you may feel helpless looking that you are not contributing enough, though you are working, but it you find that your contribution is not being recognized which is not helping the organization to achieve its goals and objectives right. There could other issues, like if you are over stop the under stops, which is again a look low value application activities right.

Then if you are not able to execute your strategy properly that also, that is also a problem. If you are not able to work as a team right, or the different departments do not coordinate vertically and horizontally, then that is also a problem. If you are losing

your talent to your competitors, there is also an issue and if your customers are not satisfied and they are not being retained by you to. All these are the outcome of what you call the low alignment, and that is why when we are talking about alignment with the people, brand or the customer it is very important for, better organizational performance.

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Moving further see how strategy and behavior disconnect happens. Now here this is the result of a survey of study, which suggest that if there is a disconnect between the strategy and the behavior of the employees at different levels, what will happen. It means that it would leads to no alignment, resulting in bad performance. So, what are the factors and the extent to which they happen? So, some of the factors like, if there is a high agreement or low agreement what will happen.

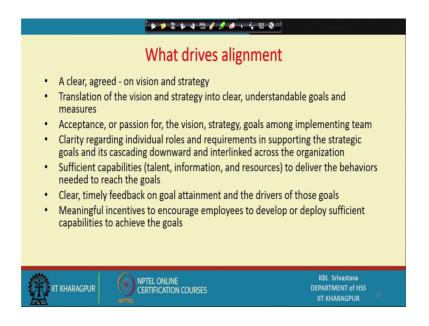
If you are not going to look at your strategy, and how you are going to measure a strategy different kind of things like balance the scorecard; that is developed by car plan. So, what I am trying to tell you here, is that you need to see that how a strategy and behavior, if they are disconnected, it is re results in bad performance. So, in this study what happens, there were number of raters and then they try to find out that this disconnect at different levels leads to what. So, if the maximum loss is there, if company does not have any agreed on strategy, then if you are not able to measure the performance of your strategy.

Then next is, if it is not linked to business and unit level. And again be these goals and

strategies are not linked with each other, then if the individual accountability and capabilities are not linked with each other, and finally, if performance and reward is not linked with each other, and if you are able to understand your role or not, that in what way you are going to contribute (Refer Time: 16:58) as a strategy.

So, if you look at some of these issues, these are very important and if there is a disconnect, then it is not going to help you to achieve the goals and objectives of the organizations. So, it is very important, to ensure that you have a strategy at different levels, to make sure that it is linked with each other, linked with the target, individuals have the capabilities which is linked with the reward right, and they understand in what way there going to contribute to the business.

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Now the another important question is, which has come out of this studies, that what are those factors which drive alignment; strategic alignment. So, the alignment with the performance, you remember, some of the points that we just talked about, like there has to be clear agreed on vision and strategy it means that when we are talking about strategy at different levels, you make sure that business units, and also the corporate headquarters have their own vision mission and strategy, and it has to be in alignment and consistent with each other.

First point second point that has come out is that how this vision and strategy is translate it into goals and objectives right. So, make sure that when you have identified vision and

mission, based on that you are able to identify your goals, and in order to achieve your goals, you see that what kind of strategy you are going to adopt, in order to achieve these goals and objectives right. Third point is, that this vision mission goals strategy whatever you have, make sure that people are accepting it.

If people do not accept it at their vision their mission their strategy, probably it will not be possible for the organization to see that individuals who are for it right. So, make sure that individual accepts and have a passion to achieve it right, otherwise they will not be able to achieve this strategic goals, at whatever level it is, whether it is corporate level, or the individual level, unit level right.

Similarly, you also need to ensure that, the requirement of the organization and the capabilities of the people are matching right. So, it means that people has sufficient capabilities in terms of information, resources and talent. So, that they are able to deliver behavior that is required to achieve the goals and objectives. So, where you are matching in the individual capabilities with the requirements of the organization, you have to identify what is the requirement of the organization in terms of me a skills and whether people have those skills or not.

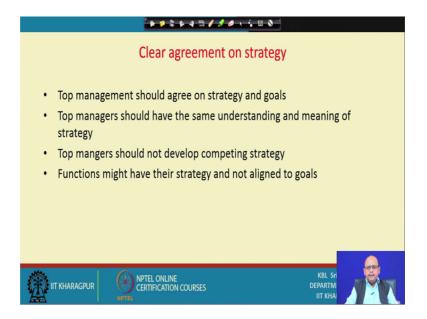
And then you are going to match those skills and capabilities, to ensure that it helps in achieving the goals and objectives, and another important issue is that feedback. So, you need to give regular feedback, frequent feedback, at different stages at different levels, to ensure that these goals are achieved, because these basically acts as a motivator, you know that what how much you are achieved, what is the level of your performance.

What else you have to do, how much time frame you have, whether it is possible for you to achieve this within a given time frame or not right. So, giving clear and timely feedback is very important, and that helps you to achieve the goals, because this it also acts a driver, because you know that this is what we have achieved, this much time is left and how I am going to achieve these goals right.

And finally, you remember we talked about linking incentives, because if you are not going to link performance with rewards, which is not going to motivate people maybe one time they will do it, but next time they would think that why I am going to use my capabilities, what for. If I am not being reverted for what I do, you need to adequately compensate. So, you need to design a incentive system in such a way so that people are

going to use their capabilities to their best to achieve the goals and objectives. So, what we have discussed here in these slides is that, what are the factors, which are going to drive this kind of alignment.

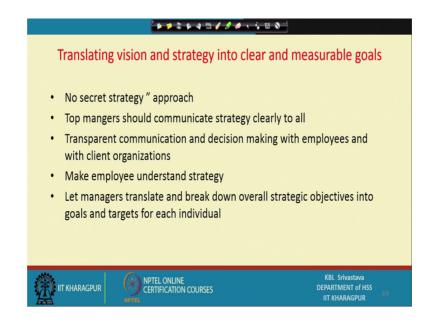
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So, some of the points that we have discussed here like clear agreed agreement on strategy, at the top level, whether the corporate level say they should they should know what is their strategy they must understand it, and also they should not develop competing strategies. For example, at the business unit level, there could be different strategies, but they should not be, they should not compete with each other, but at the same time they should collaborate each other, with each other.

Similarly you will find I mean at the functional level, the operational level, we have a marketing strategy, we have product strategy, we have finance (Refer Time: 21:40) strategy, we have HR strategy. So, these strategies are also not competing with each other right. The strategy should be designed in such a way so that you expect better support and cooperation, from the managers of these units or these departments, and make sure that these strategies are aligned with each other, to support the goals and objectives of the organization.

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Next point that we talked about, translating vision and strategy right; make sure that it is open, everybody know what is the goals and strategies of the organization. Everybody know what is the vision and strategy right. So, you need to communicate, it down the line to everybody in the organization, and make them understand what is their strategy, and if they are not able to understand the strategy, probably they will not be able to contribute.

So, you need to, see that this strategies further broken down at different levels and each, at each level, that the business unit level, the operational level, or at the individual level. It is further broken down into the goals and objectives for everyone. So, starting with the individual, you have goals and objectives to achieve, which is contributing to the department, then the unit, and then the organization, and this starts with a top down approach.

So, you have a this a strategy to achieve the goals. So, this goals is divided further into departmental goals, sorry unit goals, department goals and individual goals. So, you have to see that how these goals are aligned with each other at different levels, and contribute to strategic objectives passion; that is another important factor.

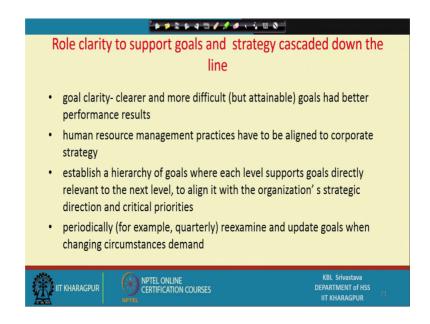
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So, the level of engagement and commitment that is required; that is possible only if you accept it as a individual, this is what I need to achieve. So, you achieve, you should embrace it, you should support that how it is going to be implemented. And you make sure that in both later and spread; that is what we call and heart and mind of the employees.

So, they are not only functioning responsible, but they are also committed and engaged to ensure, that they are making all out effort to achieve the goals and objectives. And another important issue related to this is that make sure that there, is a better job for it. if there is not a better job for it then probably you will the person will not be able to perform. So, make sure that the quality of the individual and the job that he is going to do, the task is matched

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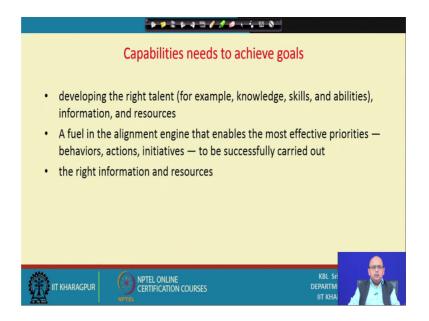
Next issue is role clarity that is the very important at each level you make sure that what is the role that you have, because this is going to support the goals and strategy at different levels for example, you have clear and more dif difficult, but attainable goals, then it leads to better performance. So, make sure that you are very clear about the goals. You remember in goal setting process, we discussed about it that whatever goal you are going to set, make sure that you are able to achieve it.

So, it must be achievable, though it may be little difficult, because the goal which is set at a challenging level, leads to higher performance right, then you also see to it at what kind of HR practices you have right, in terms of compensation, in terms of growth opportunities, in terms of career developments, and how they are aligned with the corporate strategy right.

So, HR practices especially career development, and reward system play a very important roles. Then you have a hierarchy of goals at each level, starting with the individual to the unit, to the group and the organization, and at each level you ensure that it is aligned with each other. And then make sure that it is leading with or it is aligned with the strategy of the organization right, and then regularly re examine and update your goals, because the environment might change. So, the environment is changing. So, you go for further analysis, identify the level of uncertainty, go for re visioning and have a different kind of statement, change your strategy, and then update your goals and

strategies, that is to be achieved right.

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Now, that is what I have been talking about having a (Refer Time: 26:10) between the job and the person. So, you need to see that how you are going to develop those capabilities, especially knowledge skill and abilities of the people, which is going to contribute to the performance of the individual. So, here you are talking about capabilities, not only at the individual level, but also at the department level, and the group level and organizational level.

So, you need to identify the set of competencies which would you required at different levels right, and how it is helping the organization to achieve its goals and objectives right. It is very important, because ultimately it is the people who are going to contribute at different levels right. At the same time you also need to provide the information and resources. Resources in terms of support, equipments and other things, and the information, information we are talking about a two things.

The right kind of information, this is not been over load of information, and must get the quality information, and the right amount of information to perform the job effectively.

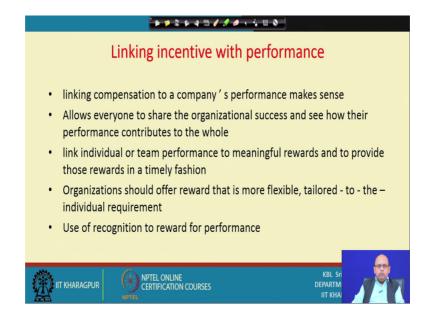
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Next point that we talked about, clear and timely feedback, yes giving and receiving feedback is very important, because it helps you to improve your performance. So, make sure that feedback is closer to the performance itself, because if he has performed today you are giving feedback after as a six month, and there is not become effective. So, make sure that the feedback is given immediately after the performance has happened, and also ensure that it is not just mental, it is more constructive and development it. Means the idea of giving performance is to improve the individual ok.

So, that he understand what are his weaknesses, what are his strength, and how to overcome them right, and that is why call it to be developmental. So, if you are giving constructive feedback, it actually helps individuals to improve. If you are judgmental then people might be defensive, and then you conduct feedback sessions in a non threatening manner, make sure that people do not become offensive, or become defensive also. So, they take it as it is, and then you go for regular continuous discussion with the employees about their performance. So, that it helps them to improve their performance.

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Now, the final point that we have been talking about, linking incentive with the performance; that is very important, If you are not going to link performance with the compensation, it does not make much sense, because it is not going to motivate further employees. So, make sure that whatever is achieved by the organization, it in terms of its contribution.

it is shared by everybody in the organization. So, you might have different kind of performance related incentives, different kind of plans through which you can share the benefits of the organization, in terms of revenue other things with the employees right. So, make sure that you provide the meaningful reward, which is appropriate to them, and give this reward in a timely way. So, that people understand and appreciate it right. You can go for a most flexible, you can go for, a reward system or you can go for financial rewards non financial rewards, depending upon the requirement of the individual right. So, different kind of incentive could be used in order to perform

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Now finally, I am giving this example to explain that how a low cost airline, has tried to link its strategic goals behavior and rewards. So, whatever we have discussed now. We are going to take an example to explain it further. Now if you look at a low cost airline right. In India also you know that we have different kind of low cost airlines; like Spicejet, Indigo right, and they have been performing very well. In USA ah there is an very good example of South West Airlines, which have been consistently performing very well right. Now if you look at this example you can understand that, how strategy and goals are linked with the behavior and the reward so that they are able to perform very well right.

Now the idea of low cost airline means that, you are going to compete on the basis of this is strategy; that is cost leadership right. So, when you are going to for cost leadership as a strategy, and your goal is to achieve certain targets in terms of performance right. For example, indigo says that they are 100 percent on time. So, that could be one of the performance criteria right.

So, now, if you are looking this performance criteria, or linking it with the strategy; that is competing on the basis of low cost leadership. So, how you are going to execute this strategy, to achieve the goals or the objectives of the organization, and at the same time what kind of employee behavior expect, and how it is linked with the reward right.

Now, if you look at this, you have to understand certain things. Like how you are going

to leverage your air aircraft right, because you a are going to create brand image. See we are talking about three things, we remember. We talked about policies, goals and values of the people. We also talked about the brand, and we also talked about the customer requirements.

They need to be aligned with each other, remember you talked about that. Now if you are going to compete a on the basis of a low cost leadership, and you want to align all this things, it means that you want to create a image of brand for yourself. You are understanding customer requirements, and trying to satisfy them in the best possible way, and make sure that people and their behavior is also aligned with these subject right. Now what they do, as a part of their low cost leadership, what kind of strategy that they have; that is they go for low cost ticketing, they have a very lean and productive work force.

And they also go for high aircraft utilization right. Now what actually happens if you look at the, this is the part of their strategy. So, as a part of the low cost leadership what they do. Make sure that yes, they have at automatic tic ticketing systems, and not using live travel agency, because they that is where they have to give commission to their agents.

Then with the, when it comes to lean and productive workforce, they make sure that there is a high level of stock ownership, they have union contracts for performance related issues, and similarly they also need to ensure that their air aircrafts are not sitting idle. So, there is a maximize utilization of their aircrafts. So, they are using satellite air force. I mean those air force, which are not used by others. They are going to say tire two servant tire, tire three sittings. And they have a standard efficient system for maintaining these aircrafts right, because especially if you look at the cost in the airline premises, that is basically how you are using your slides or aircrafts right.

For example if you are taking more than 30 minutes at a particular hault, it means that it increases their cost right. So, you will find that if you have traveled by any of these airlines, the moment that they are going to land, you know that they start the cleaning process. So, that they are going to utilize that particular time to ensure that they are ready for the next flight right. So, utilization is very important for them, and then what are the sectors that you are covering right. What is your turn around period. Once you land and

then how much time you take to fight flight them for the next right.

So, these are the issues that they have looked into, when it comes to a strategy part and then the three things that we have discussed earlier, like how it is going to help them to create a brand for themselves, whether they are meeting the customer requirements or not, and how people and their behavior, is contributing to this. So, that you are able to compete on the basis of low cost airlines right.

So, you once you have a low cost airline strategy, and low cost strategy, then make sure that your goals or objectives are aligned with that one, with this strategy. And also the behavior of the people are aligned with that, and make sure that those who are performing they are being rewarded ok.

Thank you very much.