

Performance And Reward Management
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Lecture - 08

Developing an understanding as to why performance management and reward management are of strategic importance and their role in strategic planning (Contd.)

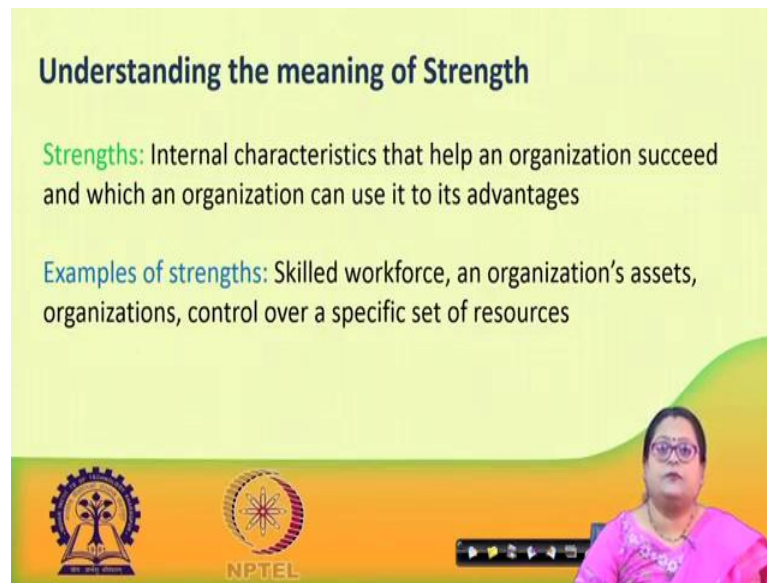
Welcome to the 2nd week's topic on Developing and understanding as to why performance management and reward management are of strategic importance and their role in strategic planning.

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The concepts for today's discussion are understanding the linkages between performance management, reward management and strategic planning and management. We will continue with this discussion and also we will continue with the discussion on environmental analysis opportunities, threats, strengths and weaknesses. So, let us begin with today's module.

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Understanding the meaning of Strength

Strengths: Internal characteristics that help an organization succeed and which an organization can use it to its advantages

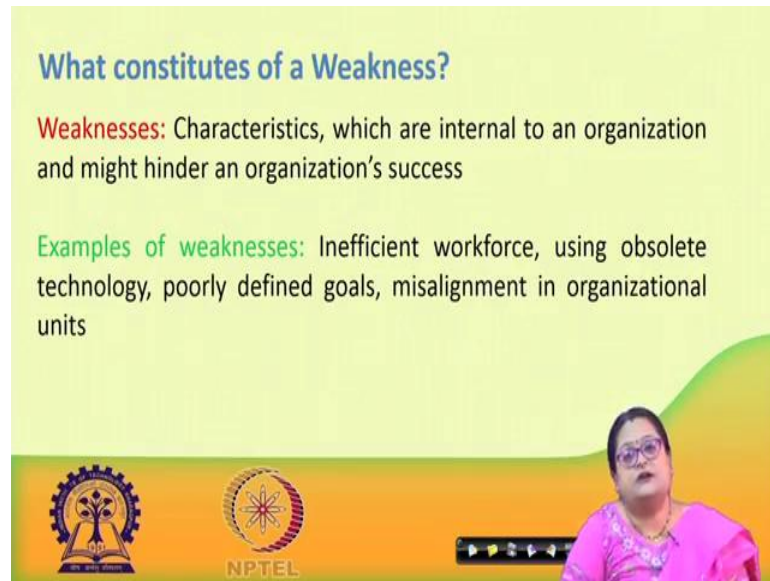
Examples of strengths: Skilled workforce, an organization's assets, organizations, control over a specific set of resources

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In the past session, we have discussed about the opportunities and threats. Now, let us discuss about the meaning of strength. Strengths are the internal characteristics that help an organization succeed and reach an organization can use to its advantages. If you remember in the last session, when we were discussing about opportunities and threats, we were telling it with respect to the strengths and weaknesses of the organization.

Like if something which I do have the strength, so something which may be a threat to others could be the opportunity to me. So, based on whether the what are our strength points and weaknesses, it gives us that assessment of the opportunities and threats. The examples of strengths are like skilled workforce and organization's assets, the organization's control over a specific set of resources.

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What constitutes a Weakness?

Weaknesses: Characteristics, which are internal to an organization and might hinder an organization's success

Examples of weaknesses: Inefficient workforce, using obsolete technology, poorly defined goals, misalignment in organizational units

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Now, what constitutes the weaknesses; weaknesses which are again characteristics which are internal to the organization and might hinder the organization's success. The examples of weaknesses are inefficient workforce, using obsolete technology, poorly defined goals misalignment in organizational units.

So, if like we were discussing about the strategic planning and the alignment in terms of performance management. We were talking of alignment of the individual goals with the departmental goals and the organizational goals. So, now, if misalignment is there, then it leads to the weakness of the organization.

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Internal issues that must be considered while considering an environment analysis

Organizational structure: how certain activities are directed or pursued in an organization.

Organizational culture: Written and Unwritten norms shared by members of an organization, It is the sum total of values and behaviors that contribute to the unique social and psychological environment of a business.

Now, when we are talking of the environmental analysis and we are talking of the again doing our strength, weaknesses, opportunities and threats analysis. So, why doing an environmental analysis, what are the internal issues that must be considered, while we are doing the environmental analysis? First is that at the organizational structure.

So, organizational structures are how certain activities are directed or pursued in an organization. So, there could be some written and unwritten norms shared by members of the organization which we call the organizational culture which is the again the second most important thing that we must consider while we are talking of environmental analysis.

The culture is the sum total of the values and behaviors that contribute to the unique social and psychological environment of a business. Here the emphasis the word is like when you are talking of unique social and psychological environment of the business.

This here we are talking of the internal environment of the organization. So, the lot of success of the organization, actually depends on how it like maintains its organizational culture.

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Processes: How things are implemented in an organization like how employees are recruited and selected, how their performance is appraised, , how we deal with both internal and external customers, how we address the issues raised by internal and external customers etc

Size: Whether the organization is small or large

Next are the processes; the processes are the ways things are implemented in an organization. So, like how employees are recruited and selected how their performance are appraised; how we deal with both internal and external customers; how we address the issues raised by internal and external customers et cetera. So, these words like in this line the word internal customer is very important. Why? Sometimes when we talk of like customer or the organization being customer focused, we always think of external customers.

But we have to understand there are internal customers in the organization also and they are very important like listening to their needs, I would like how we can help them collaborate together for their success. These are important things how what is our attitude towards them how we deal with them how you communicate with them, one department may be the internal customer to the other department, employees are the internal customers to the whole organization. So, these things needs to be taken care off.

So, answering to the like issues raised by the internal customers and how we deal with the internal customers are also key to organizational success and doing a proper environment analysis. Sizes whether the organization is small or large will depend on which will affect like well what type of environment like we are dealing with and like who are our competitors, who are collaborators, what are the strengths and weaknesses of us because at each life stage of the development of an organization as it like grows in

both size and in time different challenges come up. So, what is the size of the organization whether large or small, this environmental analysis is going to depend on it.

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Combination pairings of external threats and opportunities with internal strengths and weaknesses

Opportunity + Strength: Leverage

It is a case where an opportunity is available and the organization also has the strength or resources to exploit the same. One of the best combinations for an organization to exceed.

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So, now what you are going to do is we are going to show you different combinations of the pairing of external threats and opportunities with the internal strengths and weaknesses and how we are going to interpret it. So, when we do have an opportunity and we have a strength, we have to like leverage it. So, when you talk of leverage, it is the combination of opportunity and strength. It is a case where opportunities available and the organization also has the strength or resources to exploit the same. So, it is one of the best combination for the organization to like exceed and accept.

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Opportunity + Weakness: Constraint

External opportunity is present but internal weaknesses of a company restrict the company from exploiting the same. For e.g. maybe a company has an opportunity to sell but does not have the internal resources to meet the demand.

Opportunity, you have; there is an opportunity, but you do have weaknesses. So, that is taken to be the constraint. So, external opportunity is present, but internal weaknesses of an company restrict the company from exploiting the same. So, for example, maybe a company has an opportunity to sell, but does not have the internal resources to make the demand. So, in that case this is a situation of constraint.

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Threat + Strength: Vulnerability

Though there is an external threat, but it can be contained because of presence of internal strengths

When there is a threat, but you have the strength this is called the situation of vulnerability and though, there is an external threat, but it can be contained because of

the presence of internal strengths. So, why we talk of vulnerable? Like we do have a strength situation, but we are vulnerable to the threat because we need to be careful about like we should not be having a overestimate of sell like ok. We do have the strength and we do not need to take extra precautions for how to deal with the threat. We should not become complacent. So, threat plus strength becomes the vulnerability.

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Threat + Weakness: Problem

Worst scenario, organization stands at the losing end, need to find out the solutions for combating threats and also build inner strength for the same.

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When there is a threat and weakness, it is a problem situation it is a worst scenario where organization stands at the losing end, need to find out the solutions for combating threats and also build inner strength for the same. So, if there is a external threat and you are weak, you do not know how to combat with it; then, it becomes a problem situation.

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Understanding the Mission of an organization?

After any organization has conducted organizational analysis, it is in a better position to define its mission statement.

Mission statement basically defines organizations reasons for existence

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So, when we have done this environmental analysis then next question which needs to be asked is like what is the mission of the organization; understanding the mission of the organization. So, after we have done our environmental analysis properly, this is the next question we need to answer. So, it is in a better position to define it's mission statement, after environmental analysis is done.

So, mission statement basically defines organization's reasons for existence because the when we have done the environmental analysis, we have understood like what are like the points of leverage; what are like points of maybe you know what areas we are vulnerable; which are problem situations. So, then we can understand like where is that area that we can exist and we exist for what. So, mission statement defines basically the organization's reasons for existence.

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A sound mission statement offers answers to the following questions:

- ❖ Why does an organization exist
- ❖ What is the scope of an organizations' existence?
- ❖ What kind of customers will be served by an organization?
- ❖ What are the products and services will be offered by the company?

The slide features the IIT Bombay logo on the left and the NPTEL logo in the center. A video inset in the bottom right corner shows a woman with glasses wearing a pink top. Navigation arrows are visible at the bottom of the slide.

It a sound mission statement answers the following questions. Like why does an organization exist? What is the scope for organization's existence? When we have done our environment analysis properly, we know our strengths and weaknesses properly, we know our opportunities and threats properly, it helps to define the scope for the organization's existence. Then, what kind of customers will be served by an organization? What are the products and services to be offered by the company?

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Understanding the Vision of an organization

Vision is simply an organization's view where it would like to see itself down the line five or ten years

It is simply a representation of an organization's future aspirations

Vision and mission statements are often combined by organizations

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After we have done that next step is understanding the vision of the organization. It is a vision is the view of the organizations where it would like to see itself down the 5 to 10 years. So, it is a representation of the organization's future aspirations. So, this also it is possible only when we are able to understand our internal environment and the external environment properly, our like strengths, weaknesses and the opportunities and threats properly.

Like what internal strength do you have; can we work on our weaknesses and transform it into our strengths; what would be the future possibilities arising? So, these kind of answers, to these kind of questions will help us to like understand the vision properly. And it help us to define the future aspirations properly. In many cases the vision and mission statement are often combined by the organizations.

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An organization's mission statement usually represents:

- ❖ Philosophy of the organization
- ❖ How the company wants outsiders to perceive it as?
- ❖ **Self-concept: How an organization sees itself?**

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An organization's mission statement usually represents the philosophy of the organization. Because it talks of why it exists and how the company wants its outsider to perceive it as and the self concept like how an organization sees itself.

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What makes a good vision statement?

Brief: Should be brief so that employees are in a position to remember it

Verifiable: Should be able to stand to the reality test

Follows timelines: A good vision statement is always bound by timelines

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What makes a good vision statement is, it should be brief. It should be brief so that the employees are in a position to remember it. It should be verifiable; should be able to stand the reality test and it follows timelines. A good vision statement is always bound by timelines. This is very important because how I want to see itself in future depends on like how do I expect to grow also; what are my challenges also; what are my like milestones to be reached at each of the stage of development. It is like a lifecycle of an organization.

So, it should always be bound by timelines because each of the life stages of the organization has different milestones to be achieved and faced by different challenges. So, the good vision statement should always be bound by time lines.

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- Focused:** should focus on a few things rather than focusing on too many things making it sound unviable
- Understandable:** Must be clear and straightforward
- Inspiring:** Must make feel employees good and inspired

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It should be focused; it should focus on few things rather than focusing on too many things which may make it sound unviable. Understandable; it must be clear and straightforward so that everybody is able to understand it. How you want to see yourself in future? Inspiring; must make feel employees feel good and inspired.

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Understanding the meaning of Goals and objectives?

After an organization has conducted the environmental analyses, defined its vision and mission statements, now it must define its goals and objectives

Defining goals and objectives provides scope for formalizing and documenting what an organization actually wants to achieve

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After we have done that, next important step is understanding the meaning of goals and objectives. So, after an organization has done its environmental analysis and define its vision and mission statements, now it is ready to define its goals and objectives. The

defining of goals and objectives give provides a scope for formalizing and documenting, what an organization actually wants to achieve. Because vision and mission statements could be it is a bit of philosophical type of statements that is done.

But which is like and when we have to translate it down into an actionable like do's and don'ts. This we want to do and achieve and this is what we need to do target setting. Then, it has to be written in terms of achievable action points. So, goals and objectives are give those scope for formalizing and documenting what an organization actually wants to achieve.

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Goals provide scope for performance management by providing a range for comparing what must have been achieved and what has been actually achieved

Overall, goals provide direction to an organization

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The goals provide a scope for performance management, by providing a range for comparing what must have been achieved and what has actually been achieved. If you remember like when we were discussing about performance management, we were talking of setting the standard.

So, here when we are talking of goal setting, this is where we are doing the setting the standard because it is very important to understand what we expect and how do we measure what we expect and what we have done will show we have reached our expectations. It is very important to give, write it in proper terms.

So, that it gives a direction to the organization and then, it becomes helpful in performance management. Because then when actually performance happens and we

have to measure it. Then, we understand this was expected of us; this we were supposed to do and this is what like if that could have would be have been 100 percent, but now may be this is where we have reached and this is the gap and this is the gap where we need to work on. So, goals provide like very good scope for performance management.

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Objectives: An objective is a description of a very specific action that must be undertaken for accomplishment of the defined goals
An objective to be effective must be SMART

S = Specific/stretching – clear, unambiguous, straightforward, understandable and challenging

M = Measurable – quantity, quality, time, money.

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What are the objectives? Again, objective is a description of a very specific action that must be accompanied, accomplished to reach the specific goals. So, objectives are further clear statement descriptions of very specific actions that needs to be achieved, that needs to be accomplished in order to like reach the particular goal and we tell it like it should be objective setting should be smart in nature. Smart is specific and that is clear or ambiguous, straightforward, understandable and challenging. In M, it is measurable by in quantity, quality, time and money.

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A = Achievable – challenging but within the reach of a competent and committed person.

R = Relevant – relevant to the objectives of the organization so that the goal of the individual is aligned to corporate goals.

T = Time framed – to be completed within an agreed timescale



A is achievable; challenging but within the reach of a competent and committed person. R is relevant; relevant to the objectives of the organization and goals of the individual is aligned to the corporate goal, this is very important. So, that whatever we are trying to achieve, it should be aligned with the objectives of the organization.


Otherwise, what happens individual goals may not be in sync with the corporate goals. T is time framed so, it needs to be completed within an agreeable agreed timescale. So, we need to set like you have to reach this objective within the what timeframe.

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Difference between Goals and Objectives:

Goals	Objectives
<u>Description of a destination</u>	<u>A measure of progress towards the defined destination</u>
<u>Long-term</u>	<u>Short-term</u>
<u>Provides direction for generic action</u>	<u>Provides direction for specific action</u>
<u>May not be measurable</u>	<u>Measurable</u>
<u>Broad</u>	<u>Specific</u>



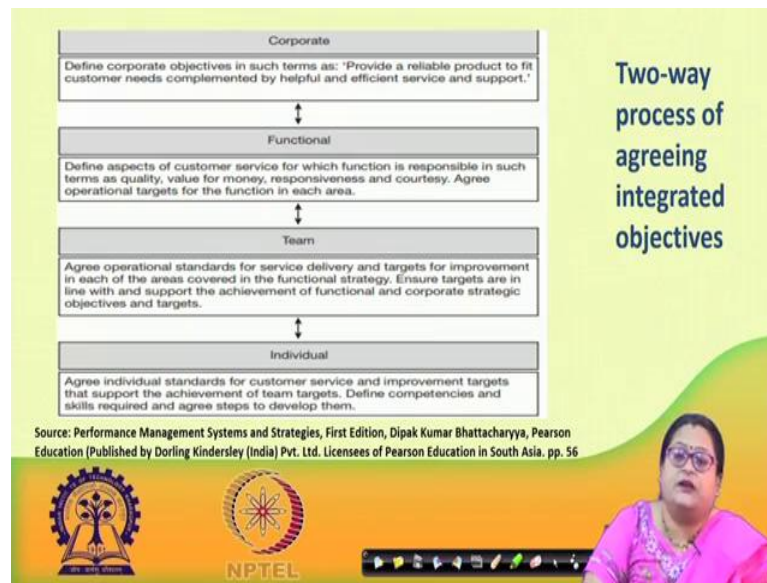
Now, the difference between the goals and objectives are like when we talk of goals, it is the description of a destination. When we talk of objectives it is a measure of progress towards the define destination. In goals, it is long term goal and objectives are achievable short term action points. Goals provides direction for generic action, objectives provides direction for specific actions. Goals may not be measurable, but objectives are always measurable. Goals are broad and objectives are specific in nature.

So, we have to see like you have to reach a goal, then what are the objectives that we need to like set and reach. So, like we would if we can see we can visualize, it is like a funnel like structure that we are arriving at. Whenever we are talking of the vision mission statement, it is the broad philosophy of like when you are talking of how we want to see ourself in future and what are the purpose of our existence.

Based on that again broad goal setting is done if we have to reach our vision and mission, if we have to reach a particular vision and this is what we exist for and these are the type of goals gives us the type of things that we have to reach the type of things that we need to do. So, that way it gives an like it is an expression of the vision and mission.

But to reach that goal, we have to do certain activities. In order to progress towards that goal, we have to take some small steps and do some activities which are measurable and then, from there we move on to the next step. So, those small steps small actions are called objectives and once we reach our different objectives, the closer we move to our different kinds of goals.

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So, if we try to do a process of agreeing in integrated objectives are, if you see in this diagram, there are both two ways two arrows given. So, in at the corporate level define corporate objectives in such a way in terms as provide a reliable product to fit customer needs complemented by helpful and efficient service and support. This is at the objective at a corporate level. This is translated into the functional level. Defined aspects of customer service for which function is responsible in terms of like quality, vision for or value for money, responsiveness and courtesy.

Agree operational targets for the functions in each area. This is again, cascaded down to the team level. Agree operational standards for service delivery and targets for improvement in each of the areas covered in the functional strategy. Ensure targets are in line with and support the achievement of the functional and corporate strategic objectives and targets. This is at the team level which is again cascading down to the individual level.

Agree individual standards for customer service and improvement targets that support the achievement of the team targets. Define competences and skills required and agree steps to develop them. So, if you see like there is a both way arrow connected to each other, means all these steps are like get influenced by and can influence the performance of the upper level.

So, the corporate objectives are cascaded to the functional objectives, the functional objective is cascaded to the team objectives and then to the individual objectives. Similarly, the individual objectives will contribute to the team level, the team level objectives should be in sync with the functional level and the functional level objectives should be in sync with the corporate level objectives.

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References:

Performance Management, 2nd Edition by Herman Aguinis, Pearson Education, New Delhi.

Performance Management Systems and Strategies, First Edition, Dipak Kumar Bhattacharyya, Pearson Education (Published by Dorling Kindersley (India) Pvt. Ltd. Licensees of Pearson Education in South Asia.

So, these are the references that we have got for this discussion. You can again go through these books in details and any questions, please post it to the forum.

Thank you.