

**Performance And Reward Management**  
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**Lecture - 09**

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

Welcome back. We will continue with our discussion on the topic Developing an understanding as to why performance management and reward management are of strategic importance and their role in strategic planning.

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**CONCEPTS**

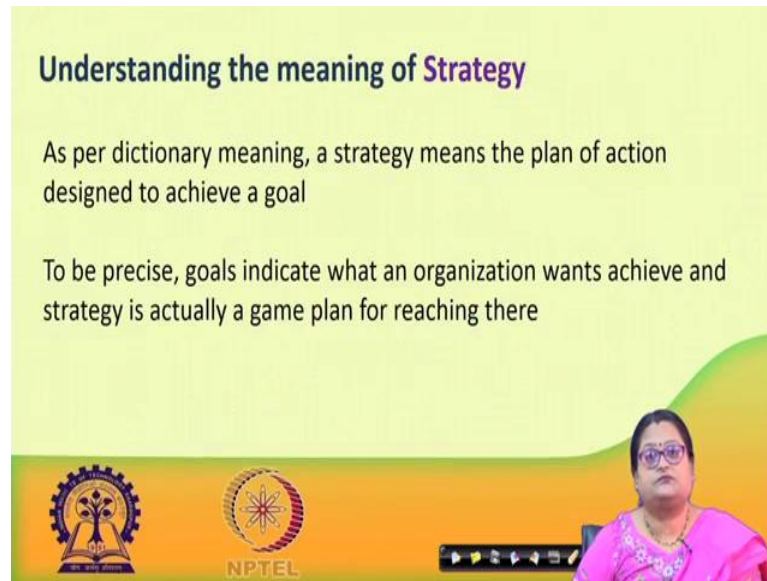
- Understanding the Linkage between Performance management, Reward management and Strategic planning and management (Continued)
- Developing plans at unit level
- Preparing Job descriptions
- Individual and Team Performance

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The concepts that will be covered now are understanding the linkage between performance management, reward management and strategic planning and management and we will understand how to develop plans at unit level, prepare job descriptions and how to define individual and team performance. So, let us begin.

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**Understanding the meaning of Strategy**

As per dictionary meaning, a strategy means the plan of action designed to achieve a goal

To be precise, goals indicate what an organization wants achieve and strategy is actually a game plan for reaching there

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The understanding the meaning of strategy; so, as per the dictionary definition, the meaning of strategy is to define a plan of actions that are designed to achieve goals. To be precise goals indicate what an organization wants to achieve and strategies are actually a game plan for reaching there. So, the word strategy actually comes from the war front. So, in war as you take different game plans to reach your or to define what to do so that you (Refer Time: 01:36) win the war.

So, similarly strategies are game plans for reaching your goals. So, how to planning that case environmental analysis helps, how good you are studied your environmental, the moves of the competitors, then desire its needs and wants of your customers; these matters a lot in framing your strategy.

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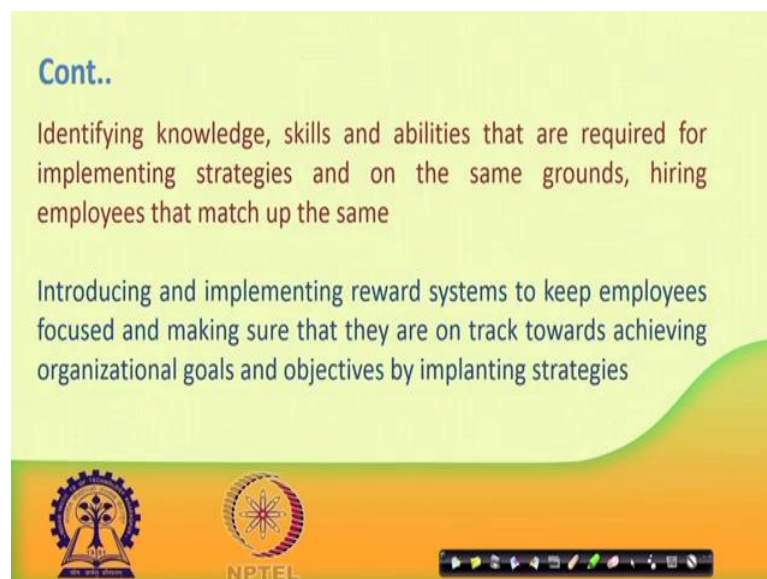
Human resource department indeed plays a great role in implementing strategies which eventually help an organization achieve its mission and vision by:

Sharing the knowledge of Strategic plans with employees of an organization

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The human resource departments indeed play a great role in implementing strategies because it is not only important to do plan for a strategy. It is to be implemented and like it is the employees who will be like translating those interactions. So, human resource department do really play a very important role in implementing strategies which eventually helped organization to achieve its mission and vision. Now, how it helps the how the HR department helps in strategy implementation is by sharing the knowledge of the strategic plans with the employees of a particular organization.

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Identifying knowledge, skills and abilities that are required for implementing strategies and on the same grounds, hiring employees that match up the same

Introducing and implementing reward systems to keep employees focused and making sure that they are on track towards achieving organizational goals and objectives by implanting strategies

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So, how it is done is, it is important to identify the knowledge skills and abilities which together, we call competencies which were required for implementing strategies and on the same ground, may be first you go for internal check if it is already available in the like internal with the internal people who are their or based on these if it is there its fine, we need to develop it further. If it is not there, so we have to now to take a decision of like think on hiring employees that match with the required competencies.

Next to keep people motivated to like move further in the way of achieving the goals of the organization and also their personal goals. So, introducing and implementing reward systems are very important. The rewards systems help to keep employees focused and make sure that they are on track towards achieving the organizational goals and the objectives like helping to translate the strategies into action.

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**Developing Plans at Unit Level**

It is indeed important that **an organization's vision, mission, goals and objective must spill down at unit level** as it is actually the various units that will work together towards achievement of the overall goals and objectives of an organization

Each unit in an organization is technically allowed and motivated to define its own goals and objectives but that must be in line with the organization's vision, mission, overall goals and objective

Developing the plans at the unit level, so it is important for an organization's vision, mission, goals and objectives once spill down at the unit level. Because, it is actually the various units that will work together towards the achievement of the overall objectives of the organization. Each unit in an organization is technically allowed and motivated to define its own goals and objectives. But that must be in line with the organization's vision, mission overall goals and objectives.

So, this word is very important again like whenever we are talking of alignment though each unit, each unit is an organization, in an organization is allowed to formulate their

own goals and objectives. But that must be in line with the organization's vision, mission overall goals and objectives. Otherwise then, there is a mismatch, misalignment and that may lead to the weakness of the particular organization.

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There must be a **sound alignment between organizational goals and objectives and unit level goals and objectives**

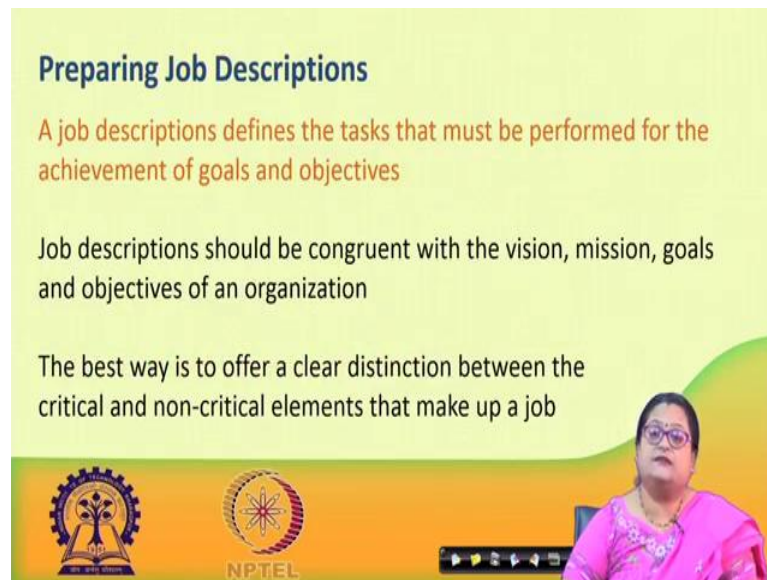
One of the most effective ways of aligning organizational goals and objectives and unit level goals and objectives is to adopt **participative decision making processes**

So, there what we repeatedly may be telling there must be a sound alignment between organizational goals and objectives and the unit level goals and objectives. So, one of the ways of doing it like how you align the goals and objectives of the department unit with the goals and objectives of the overall goals and objectives of the organization is to adopt a participative decision making processes.

So, these are all like decision making styles, decision making strategies, it depends also on the kind nature of leadership that you have in the organization and all these are really very important for strategy formulation and implementation.

So, participative decision making process were together people take a decision, the units are involved in deciding on their what they can contribute to the overall goals of the organization are important.

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**Preparing Job Descriptions**

A job descriptions defines the tasks that must be performed for the achievement of goals and objectives

Job descriptions should be congruent with the vision, mission, goals and objectives of an organization

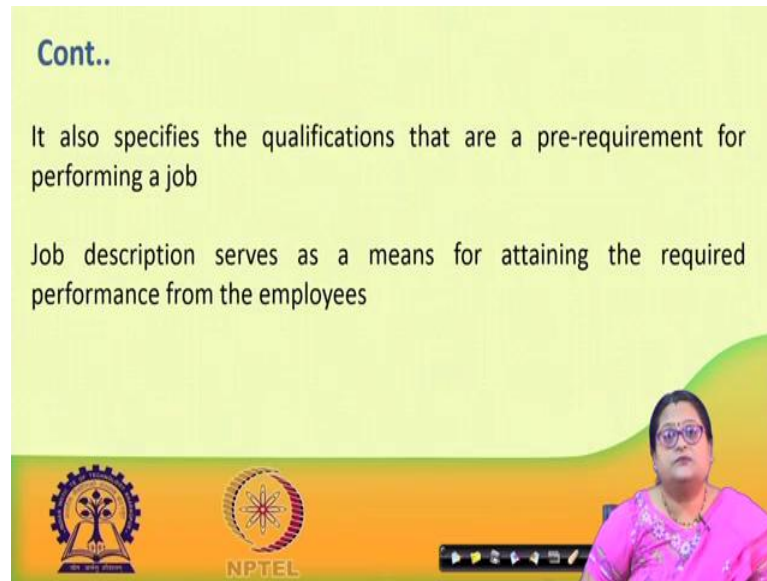
The best way is to offer a clear distinction between the critical and non-critical elements that make up a job

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And like it helps in like it builds a commitment of the unit towards the overall goal of the organization. Next when you have done it, next thing that we have to understand ultimately this unit level goals and objectives that we have said, we will be carried out by the individuals. Now, in order to translate that into the what the members in that particular unit are going to do, there should be like the clear job description which.

So, preparing a good job description is a very very important part of implementation on this strategic plans. So, what the job description? So, job description defines the task that must be performed for achievements of the goals and objectives. So, the job descriptions should be congruent with the vision, goals, vision, mission, goals and objectives of the organization. What the best way is to offer a distinctions between the critical and non critical elements that make up a job.

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It also specifies the qualifications that are a pre-requirement for performing a job

Job description serves as a means for attaining the required performance from the employees

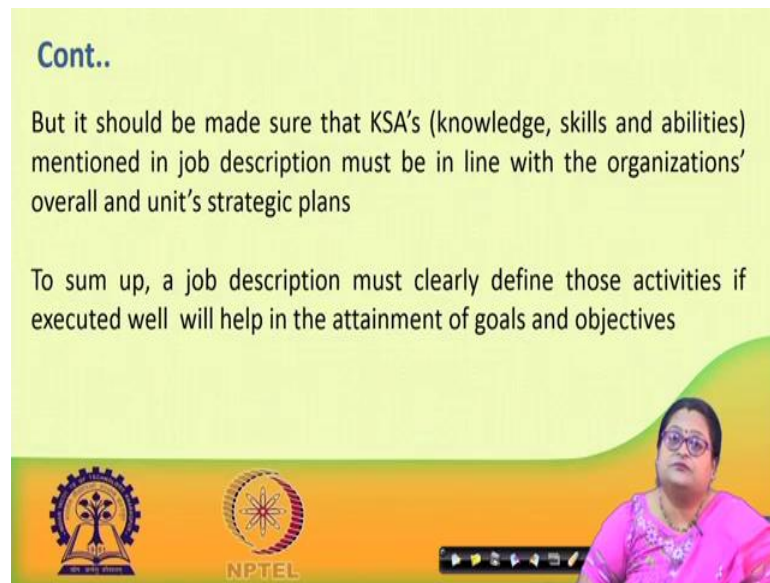
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We have already discussed about like the what are the critical elements of the job and what is the non critical elements of a job in a previous discussions. Like where we understand for like achieving like a particular vision or of an particular organization or this is sometime some departments may become more important and in that departments, some jobs are like becoming more important and in a particular job that a person is doing some of the activities are more important as compared to others.

So, all these which are very important to directly contributing towards reaching the vision, mission of the organization, the goals and objectives of the organization are called critical aspects of job description.

So, the job description is also specifies the qualifications that are a pre requirement for doing a job. So, it helps us a means for attaining the required performance from the employees. Because it clearly states what they have to do; in what condition they are going to perform; what will be the situational variables of affecting the performance; what are the expectations from this particular role and what are the kinds of qualities that the person is going, the role incumbent is to possess so that they become fit for that particular position.

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But it should be made sure that KSA's (knowledge, skills and abilities) mentioned in job description must be in line with the organizations' overall and unit's strategic plans

To sum up, a job description must clearly define those activities if executed well will help in the attainment of goals and objectives

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So, but we have to give a understanding that a knowledge, skills and abilities as mentioned in the job description must be in line with the organization's overall and unit strategic plans. We should goes through; seek those knowledge skills and abilities which are critical, critical for achieving the organization's goals.

First a focus should be on getting the critical knowledge skills and abilities, then we may go for looking for the non critical and additional skill sets skills knowledge and abilities also. So, to sum up job description must clearly define those activities if which executed well, will helped in the attainment of the goals and objectives of the organization.



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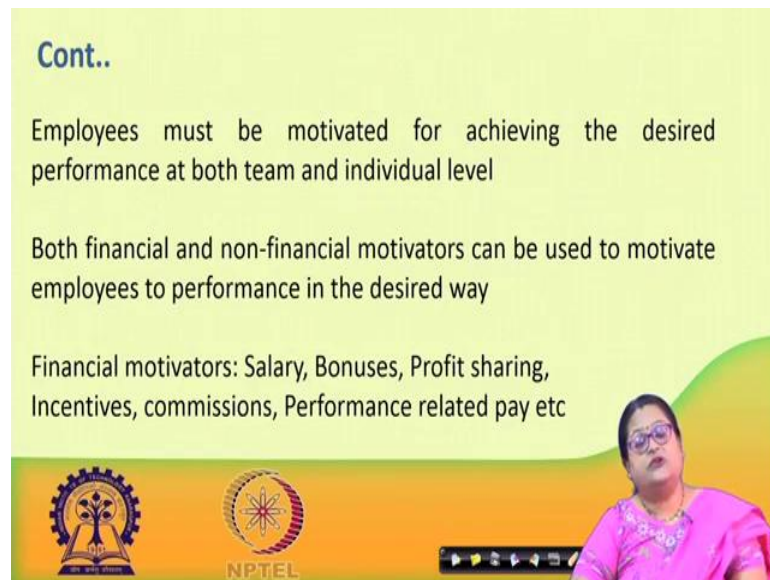
**Individual and team performance**

*Here comes the role of Performance and Reward management*

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Whenever we are talking of individual and team level performance, there comes the role of performance and reward management.

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Employees must be motivated for achieving the desired performance at both team and individual level

Both financial and non-financial motivators can be used to motivate employees to performance in the desired way

Financial motivators: Salary, Bonuses, Profit sharing, Incentives, commissions, Performance related pay etc

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Like in order to achieve a particular level of performance, not only to achieve to continue giving the best performance or to develop on the level of performance, it is very important like the people, the employees should be motivated for either continuing or achieving with the same level if it there already achieved the best or to develop an answer to achieve the best possible performance.

So, they should be must be motivated for achieving the desired performance at both individual and team level. So, to do this, both financial and non financial motivators can be used to motivate employees to perform in a desired way. So, we have already discussed on this motivators in the last modules like the financial motivators are salary, bonus, profit sharing, incentives, the commissions, performance related pay et cetera.

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Non-financial motivators: Job enrichment, Job enlargement, Empowerment, Appreciation and acknowledgement for work etc

Now is also the time to compare the actual performance of the employees after it is recorded with desired performance, which happens by designing and execution of the performance management systems

And the non-financial motivators are job enrichment, job enlargement, empowerment, appreciation knowledge for a, appreciation and acknowledgement for a work. If you remember, you had a discussion on the tangible like rewards and intangible part of the reward.

So, after that like when we have defined like what are the different kinds of rewards that we can give, so it is also the time to like compare the actual performance of the employees after which is recorded with the desired performance and then, we can like which with happens by designing and execution of the performance management systems.

The word here important is the performance managing, designing, execution of the performance management systems. Because see, we were discussing like while setting the standards, doing the goal setting, it is very important to understand to set our expectation, measure it properly, know the actions that objectives that we need to achieve.

Only we have done, if we have done that exercise properly. So, then only we can come to this stage to make the actual comparison of the actual performance of the employees after it is recorded with the desired performance. That part like if the goal setting is done properly, alignment is done properly, if everything is written in measurable steps specific in nature. So, it is the desired performance and in performance management, we are going to compare it properly and see what is the gap in performance.

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**Strategy Realization through Performance Plans**

Alignment of performance plans with the overall goals of an organization takes its form when annual workplans are drawn

Process of measurement is the key for successful realization of strategic plans as it provides basis for the strategic alignment of performance goals

Metrics should be used for determining the level of performance with respect to performance goals

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And if it is done then only it will help in strategy realization. So, in strategy realization through performance plans, we understand like the alignment performance plans with the overall goals of an organization. So, should be translated into the annual work plans of the employees.

So, process of measurement is the key for successful realization of strategic plans as it provides the basis of strategic alignment of performance goals. As we are repeating like what is not measurable is not manageable. Because if we do not understand like what we expected and what we have achieved in clear specific terms, it is very difficult to understand how much we need do, to improve ourselves. Metrics should be used for determining the level of performance with respect to the performance goals.

So, if you set a goals for it and again, you have define small small activities to reach that goal. So, metrics how we measure it; what we have done show like we have done it successfully, matters and that matter should be used for determining that and that metrics

should be used for determining the level of performance with respect to the performance goals.

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**Line of action for aligning performance goals with strategic goals**

- ❖ Establish and identify components of a job that may directly impact organizational performance
- ❖ Consider both employee's and customer's perspective in determining performance results and behavior measures
- ❖ Make employees accountable for critical elements of a job

Now, what we are repeating like in may be you have heard till now in all the modules, we have told like the it the performance need to be aligned properly with the strategic goals of the organization. So, how to do it? Here, we will tell you some points of how to do it, is first is establish and identify components of a job that may directly impact organizational performance.

So, here we are trying again to identify with the critical part of the job. Establish and identify components of a job that may directly impact organizational performance. Next is consider both employees' and customers' perspective in determining the performance results and behavior measures; make employees accountable for critical elements of a job.

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**Some important choices that need to be made before implementing Performance Management System**

- Defining choice criteria:** Behavioral criteria vs. results criteria  
(Discussed further in detail)
- Participation:** Low or high employee participation
- Level of criteria:** Individual vs. team

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So, until and unless this accountability is there, then we do not understand like what how great what is the value of our responsibility and how it may affect the whole performance of the organization. So, some of the important again choices that we need to make before implementing performance management system because again it is all linked with each other.

If a proper performance management system is in place or we can do it, then we can also go for good strategic planning and if we can do a good strategic planning of course, we will be able to translate the into the goals and objectives of the organization more definitely and that is how we achieve the vision, mission of the organization.

So, some of the important choices that we need to make before implementing performance management system are that is a choice between two alternatives, two things is not like this is good that is bad. But we need to decide for our organization what are the things that we are going to like prioritize ok.

So, in defining the choice criteria whether it is behavioral criteria that we choose like changes in behavior or like attitudes, behavior or it is result based what we have achieved. Participation like whether there is a low employee participation or high employee participation and what is the level of the criteria should we take into the individual level or at the team level.

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Rewards: Pay for performance vs. Pay for tenure or position

System orientation: Developmental vs. Administrative orientation

So, how do we pay for the performance? Because rewards become a very crucial important part which helps in like that implementation of the performance management system in reality. If the rewards facilitate the like what you have the performance management system wants to achieve that is the better performance, then if it gives a like motivation to it, then it actually translates into good system.

But if the reward is not mapped with the what we want to achieve. So, based on the goals and objectives of the organization, if these are not connected well, there may be something goes wrong. Like rewards like it is a choice of decisions. Again we are telling like nothing like this is right and that is wrong kind of, but it is for our kind of organization for the vision that we are existing for and the mission that we tell like we are like this kind of organization to map with the vision and the mission of an organization and to understand what kind of organization we are at what do we exist for and what do we want to achieve. Then rewards can either be pay performance or pay for tenure or position.

And that can be different from the different job groups also. So, it does not mean like the all the employees of the organization will be having similar reward management plans. So, it may be different for different kinds of subgroups based on, through this reward what is that we want to achieve, if we know this very carefully clearly and what is the system orientation like whether it is development in nature or administrative in nature.

Because here gradually, we will discuss on like what is the risk for tolerance, how much deviations do you encourage; these are all parts of organizational culture which are also very important component when we talking of designing of a reward management system or like performance and or the performance management system.

If you see like whether your system of focus is in developmental in nature, so it or administrative orientation whether you tolerate risk or not whether you like tolerate deviations or not because whether we tolerate errors or not; these are very important points. Because we need talking of developmental in nature in the process of growth, in the process of experimentation, in the process of like exploring through the different possibilities which is on the learning and growth mode cycle.

People are, will be mistakes will be there nobody learns without doing any mistake, but again like do I reprimand the employee for doing mistake what is my like level of tolerance for like taking in the different mistakes done by the employees because if somebody wants to learn and if that making and trial and error within exploring through the different possibilities, errors will be there.

So, I am tolerant to it and not tolerant towards it and how much I am able to absorb it or not to what level it is going to effect my further performance or not. So, should I allow people to experiment with in the while in the main work flow or we set up training people based insert training situations, where they get trained and then, start working on this may be trying to do with newer things.

So, all these are decisions that need to be taken. So, based on that may be the decisions of the system orientation, what are not what are the systems here to like the developmental in nature administrative orientation; you do this, you do that and the if there is less of errors you get this recognition you get this prize and all.

So, or there is a hike in your salaries. So, this is administrative orientation, where it tries to follow a set pattern and it tries to more stability into the organization and then, you move forwards slowly to achieve your goals. So, may be both are required while balanced up which are both are required for getting a again alignment of the performance management and the reward management system. In a further discussions when we will be talking on reward management in details. These topics will come to you again and

again and may be at that point of time, you will be able to relate more as we go to the depth of the topic and how this is done.

Because see for the orientations that you have will define your course of action, will define your culture, will define structure of your organization and will definitely define your strengths and weaknesses and what you perceived to be your opportunities and threats. So, all are all concepts are very connected to each other. Though the objective situation is same, but based on how we perceive our strength and weaknesses and opportunities and strength, perceived reality of each of the organization for its department and individuals are different and this is where your strength point lies also.

So, this is like point of very very crucial point where you have to understand to know what will be my orientations like what I want to achieve or in order to achieve that how my system should be working as a facilitated towards it. And then, how to through this how to reach our goals and objectives and which will help us to reach the vision and mission of the organization.

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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.

Again these are the reference for this particular module. Please go through it, think for yourself. Any question, please put it into the forum.

Thank you.