

**Performance And Reward Management**  
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**Lecture - 10**

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

Welcome back to the concluding section of the topic on the 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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The concepts that we are going to cover today are contributions of an effective performance management system, cost of a poor performance management system and characteristics of an ideal performance management system.

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**Contributions of an effective Performance Management System**

- ❖ Increase in motivation to perform: As rewards are linked to performance, and performers are acknowledged and rewarded
- ❖ Managers are in a better position to gain insights about subordinates, and hence strike best individual job fit
- ❖ Enhanced clarity on jobs and evaluation of jobs, hence reduced conflicts

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So, let us see what are the contributions of an effective performance management systems. So, the first contributions as we are telling like it is a increase in motivation to perform. So, as rewards are linked to the performance and performers are acknowledged and rewarded. So, it leads to the increase in the motivation of the employees to perform.

So, managers are in a better position to gain insights about the subordinates and strike the best individual job fit. So, here if you remember through the past discussions that you are having till now, we are talking of sharing of knowledge, we are talking of coaching, we are talking of mentoring, we are talking of it like continues on going activity where there is a close, we are talking of better communication where there is a close bond, closely neat bond between the managers and there is subordinates.

So, if the proper performance management system managers in a better position to gain insights about the subordinates and like strike a balance between the best individual job fit.

So, it is a enhanced clarity on jobs and evaluation of jobs, hence like the reduced conflicts are there. So, because employees are also getting an understanding of like what the job role wants from them, how they their performance will get evaluated; so and also understand their individual goals will get mapped to the organizational goals. So, that they also get the sense of recognition in the organization. So, it helps to reduce conflict.

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- ❖ Employee's self esteem is enhanced: Receiving feedback fulfills human need of being valued at work
- ❖ Enlightens employees on self-development provided constructive feedback is offered
- ❖ Clarity over organizational goals

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Employees' self esteem gets enhanced also because when in participative management the employees are asked for the suggestions and they are given feedback and they are asked for feedback also.

So, it helps the employees' fulfillment of the need for being valued at work. So, like I am, the company thinks like that I am worthy for contributing and adding value to the organization. So, employees also get good like feedback and constructive feedback on their development where you need to develop for what they are good at, what they can do in a much better way, where they need to develop et cetera. So, it enlightens the employees on self development and it gives a clarity over the organizational goals.

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- ❖ Timely differentiation between good and bad performers
- ❖ Facilitates organizational change and organizational learning
- ❖ Protection from lawsuits
- ❖ Improved and enhanced organizational performance

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So, and the other things are like it helps in timely differentiation, between who is a good performer and a bad performer and may be helps in the organizations to prepare for change and learning, organizational change in learning every integral part of the performance management system.

Protection from law source, this is also very important because if we are doing your environmental analysis properly if you are doing your like knowing your strengths, weaknesses and you understand what the customers are expecting from you both internal and external customers, their expectations and how you need to behave with them.

And what the end results of your behavior like, how you are trying to deal with these internal external customers, it helps you to protect from different lawsuits because we understand now like the stakeholders are very vigilant of how your like doing your particular business. So, and like the law now gives a protection to the and the different customers to voice their concerns about the organization and its ways of functioning.

So, may be the effective it has on the total society at large, the effect it has on the like environment per se whether it just following the expectation of the different stake holders or not. So, if we are into proper performance management system where we have studied our environment properly, we understand our responsibilities towards the greater community towards the environment, towards the other people, towards the customers,

towards the internal customers; where we understand like what do we exist for, what are what are the expectations and what we should value in life.

So, if that understanding is clearly there then it may protect us from lawsuits because well-defined performance management system will help us to make some error free performances, less of deviations from what is expected if we have defined it we have taken feedback properly taken measures to correct for the drawbacks that we have, then it helps us to protect from lawsuits. It and also it leads to improved and enhanced organizational performance.

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**Cost of a Poor Performance Management System**

- ❖ Leads to a higher turnover
- ❖ Lowers self-esteem
- ❖ Damaged relationships
- ❖ Decreases motivation to perform

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Now, what is the other side of it? It is what is the cost for the poor performance management system? So, it lead to higher turnover, people may leave because they get frustrated, they do not understand what they need to do, why they should be doing it and what are the like whether they are valued in the organization or not.

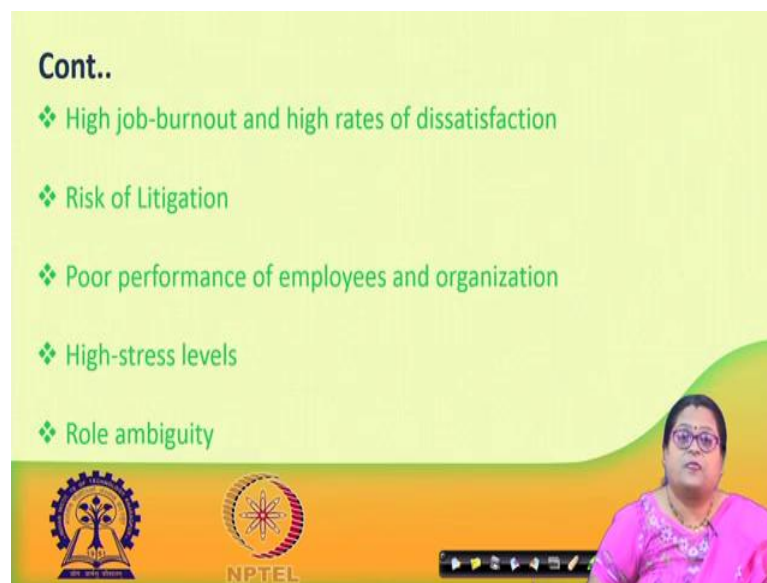
So, it leads to a higher turnover. It lowers the self esteem of the employees also because they do not get sense of fulfillment of being valued in the organization, they do not understand whether their views will be taken or not, whether their voice will be heard or not.

So, it lowers the self esteem, it leads to damaged relationships because if we do not understand the critical non critical and additional part of the job descriptions and the goal

settings also, like if we are not able to understand why some units or jobs are more prioritized and how the others are also in a very important way are contributing towards the critical department to achieve its goal, then it may lead to jealousy, it may lead to feeling of like the organization does not like me kind of feeling. And it may lead to damaged relationships and it that is, that again may lead to decreased motivation to perform.

Because I have not able to see the important contribution that I am making towards the development of the myself and the organization, each may decrease the performance level because it may make people less motivated, because we are not getting answers to a queries like why should I perform, what do I get by performing and how it is adding value. This kind of question for which we get no answers, if there is a poor performance management system.

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- ❖ High job-burnout and high rates of dissatisfaction
- ❖ Risk of Litigation
- ❖ Poor performance of employees and organization
- ❖ High-stress levels
- ❖ Role ambiguity

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It may also lead to high job-burnout and high rates of dissatisfaction, risk of litigation because we were not been able to study our environment properly, understand the strategic game plans of a competitors, then we are not able to understand the your responsibility towards your and accountability that you have towards your customers at large. So, that may lead to your risk of litigation.

So, poor performance of employees in organization, high stress levels, role ambiguity because a part of performance management is again defining your job properly job

description, setting the standards and goals. So, if those things are not done properly then I do not know what is expected of me, I do not know to what level if performed will be taken as a good performance and it may lead to role ambiguity.

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**Characteristics of an Ideal Performance Management System**

- ❖ Alignment to highest possible level – nearing perfection
- ❖ Thorough – encompasses all key employees and all key job responsibilities
- ❖ Practical- must not be too expensive and time consuming, rather should be easy to use and implement

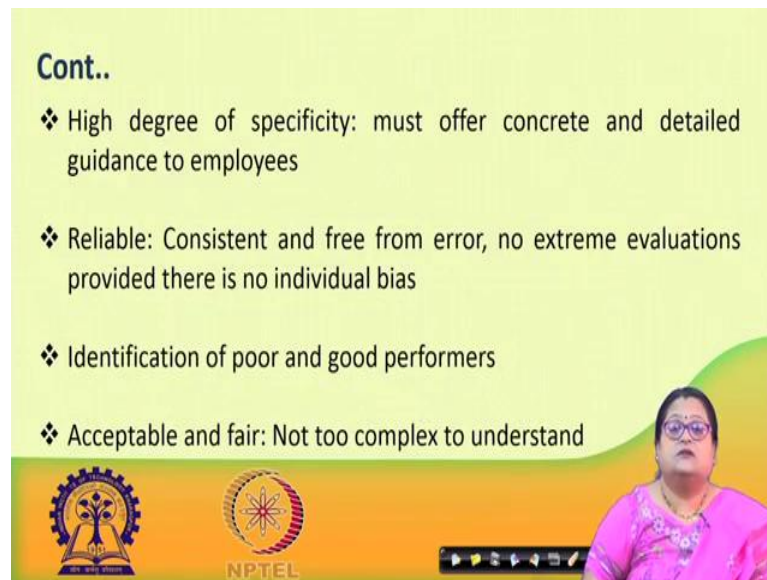
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Now, based on this then what are the characteristics of an ideal performance management system? First and foremost, important is alignment to highest possible level nearly towards perfection.

It should be thorough, it should encompass all key employees and all key job responsibilities, the more in depth the more details it is better thorough observing and writing down the each of the steps that are connected to each other. Practical and like it should not be too much expensive and time consuming rather it should be easy to use and implement.



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- ❖ High degree of specificity: must offer concrete and detailed guidance to employees
- ❖ Reliable: Consistent and free from error, no extreme evaluations provided there is no individual bias
- ❖ Identification of poor and good performers
- ❖ Acceptable and fair: Not too complex to understand

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So, it should be having high degree of specificity. So, the it should give a detail guidance of the employees to towards employees come like what should be done? What are the expectations from the employees? It should be reliable consistent and free from error, no extreme evaluation is provided and like there is no individual bias in terms of the discrimination against the employees.

So, it should be consistent in nature you should work towards getting the trust of the employees by becoming yourself trustworthy. So, identification of like the poor and good performers and it should be acceptable and fair, it should not be too complex to understand fairness of the process, truthfulness, trustworthiness are like important characteristics of a ideal performance management system.





Not discriminating between people, so not you not using the evaluations for like taking revenge in the employees or working against them. So, how to get this trust, how to build the relationships of trustworthiness, honesty, fairness these are very important values to be nurtured in a ideal performance management system.



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- ❖ High degree of openness: No secrets
- ❖ Inclusiveness: Must take input from multiple sources on an ongoing basis
- ❖ Standardized: Performance must be evaluated consistently across
- ❖ People and time
- ❖ Ethical: Must ensure fairness in evaluation of performance







So, I have to continue like high degree of openness like no secrets and then inclusiveness must take input from a multiple sources on an ongoing basis. Standardized performance must be evaluated consistently across people and time; ethical must ensure fairness if evaluation process. So, fairness, honestly, justice is important qualities of a good or the ideal performance management system.

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- ❖ Correctability: Must offer scope for correction as and when errors are identified
- ❖ Valid: Performance measures must include all relevant facets for measuring the performance, put simply, performance measures used must be relevant and should measure what they are intended to measure



Correctability: so must offer scope for corrections as and when errors are identified. So, it is like you should not like reprimand a person for committing errors, but what the system should provide is correctability.

If the error we understand everybody is a human being and errors are possible, but what is more important is the correction of those errors. So, an identification of the errors and correction of errors like it must offer scope for correction of errors and come back with the modified version or an improved version, where the people have learned from their mistakes and become more knowledgeable to understand, what lead to the mistakes what could be avoided so that the mistake is not done next time.

Valid: performance measures must include all relevant facets for measuring the performance, put simply performance measures used must be relevant and should measure what they are intended to measure.

So, what you are exactly pointing to measure and what, how to measure it the way that you measure it, does it lead you to the result that you actually wanted or your wanting something, but your scale for measurements are something very different. So, these are the things we need to check on.

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**References:**

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

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This is the book from where we have taken the reference for this. So, we can again go through this book to find the detail description, any queries we will be happy to answer it in a discussion forum.

Thank you.