Performance and Reward Management
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Lecture – 02
Understanding Meaning of Performance Management and Reward Systems
Management with Performance Management Process (Contd.)

Welcome back to the 2nd module of the first week. We will continue with the topic of Understanding Meaning of Performance Management and Reward Systems Management with Performance Management Process.

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The concepts covered in this discussion are key concerns for performance management system, practitioners' views on performance management, major issues that fall under the orbit of a performance management system. As we are discussing in the first chapter in the first module; like performance management is a system it is a continuous process we have to practice it.

And like when we are trying to practice it, we will be facing some concerns, some issues and the practitioners also have some view of the performance management. The module now focuses on this discussion. So, we will now first focus on the key concerns for the performance management system.

With the first concern for a performance management system is the concern for output, outcomes, inputs and processes. So, what we see as we were discussing also in the last module if you remember it is like it is a continuous process. And it is a continuous process which is focused not only the end result, but it is also focused on the inputs and how it is transformed throughput process to achieve the end result. So, when you talk of the concerns for performance management. So, it is a like performance management as a overall process is concerned with not just the output that is the achievement of results and outcomes which is the consequential impact on performance.

But also inputs in terms of knowledge, skills and competencies and the processes. How to like translate those inputs into the outputs and like which will help to reach the outcomes. That is why this is its focus is also more on the inputs and processes. Because in performance management we understand like if we are able to get the proper inputs and channelize it through proper processes then of course, the output and outcomes will be aligned with what we want to achieve.

So, the focus is more on inputs and the processes. Next it is the concern for planning. Objectives must be clearly defined and quantified. Expectations from employees must be made clear in quantified terms. So, its very important this word quantified, measurable defined. This will come again and again when we talk of performance management. Because in performance management the focus is more on its not just like thinking like I will be able

to do it. But the question is how we will be able to do it what is the process? What are the activities that we need to do? And what is expected in clear terms? Which is written.

So, objectives must be clearly defined right these are the things that I need to achieve. And if how do I understand I have achieved it, if I am not able to measure it. And in order to measure it should be done in a measurable terms. So, objectives must be clearly defined and quantified. Expectations from employees must be made clear in quantified terms. So, they also understand what is expected of them. And understand like whether to how much they can contribute they can also like tell. This is; these are my limitations and both can jointly come to a conclusion decision about what to expect from a particular employee.

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Next is a concern for measurement as we were discussing if you cannot measure you cannot manage it. So, everything needs to be done in a measurable term. Concerned with continuous improvement and development. So, it is not only a onetime process, but a continuous process which is focused on development of the employees this part is very very important. And this is a key part which maybe differentiates performance management from performance appraisal.

In performance appraisal in the focus is on understanding what you can do or what you cannot do its a focuses or evaluation. In performance management the focus is on developing a particular employee. So, that they are becoming more competent they are becoming ready to contribute in a better way to the objectives of the organization. And because the

organization is focused towards the development of the individual, the individual also grows and improves as a person as a like employee. Because it helps them to become more gain more competence knowledge skills abilities it helps them to grow as a person also. As a result it contributes to the individual's growth also.

Concern for communication. So, support for easy dialogue between managers and their subordinates this is a very very important point. Because if there is gap of communication between the manager and the subordinates each do not understands the other's viewpoint and like the trust building is not there. For performance management trust and trustworthiness, communication between the managers and their subordinates like so, that empathy between the manager and the subordinate. This is a very important qualities, values required for proper implementation of performance management system. So, concern for communication is support for easy dialogue between managers and their subordinates.

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Next is concern for stakeholders; needs of all the stakeholders should be kept in mind when you talking of performance management and it is not only the shareholders' needs should be in focus. Because the stakeholders means a broader concept who gets affected or who affects the business of the organization. And in that shareholder is only one of the stakeholders. Other important stakeholders are of course, the society at large. The your competitors, your like vendors, your suppliers, your like of course, your consumers, your customers, your government these are all very important stakeholders. And there is a network of stakeholders

means the stakeholders of your stakeholders are also your stakeholders. So, in that case like you this concern for all the stakeholders need to be kept in mind while we are talking out design your performance management system.

Because, the performance management system is focused on achieving the vision, mission goal of the organization through formulating specific strategic goals. So, whenever we are talking of the vision, mission of the organization. Like what I want to become, what you want to achieve. So, these is this develops like a personality pattern for the individual similar for the organization. How the organization, like develops its own values that fixes up its own goals in life and what it wants to achieve? So, that it is like sustainable in nature it grows continues to develop and reach your level of excellence.

So, concerned for all stakeholders should be kept in mind. Concern with transparency and fairness that is also one of the important part of performance management. When we talk of transparency in decision making; transparency in decision making, mutual respect and procedural fairness.

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Like transparency in; it is transparency in decision making. Transparency in decision making, mutual respect and procedural fairness, because while doing implementing performance management, like sometimes the stakeholders, their needs are at like crossroads with each other.

You will face many hurdles while in like conflicting interests will become in conflicts of interests will be there. So, for that reason transparency in decision making, mutual respect and procedural fairness are very very important requirements for designing a proper performance management system which will become functional. That is very important.

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Now, some of the practitioners views on performance management (Refer Time: 11:06) according to the research studies conducted by CIPD in 2004, we will be just highlighting on few of them like views of the practitioners. We one of the definition one of the views tells that if we expect line managers to recognize, it like the useful contribution to the management of their teams rather than a daily core activity. So, it's like people have to understand the importance of performance management towards like the as a useful contribution to the management of their teams.

So, it's the philosophy at heart of the performance management the making the individuals feel valued in terms of the contribution that they can make towards the goal of the organization. And together having the feeling of achieving something important for the organization along with finding a sense of self fulfillment in that, is its a thing it's a feeling is an understanding that the behavior that we need to nurture first. Other things will get well aligned in the processes are developed this will get well aligned but this imbibing, this feeling this sense of like you contribution the sense of like energy for contribution and that this is the essence of performance management.

Next practitioner's view is managing performance is about coaching, guiding, motivating and rewarding colleagues to help unleash potential and improve organizational performance. So, again you see its coaching it talks of coaching guiding motivating and rewarding colleagues to help unleash potential and improve organizational performance. Sometimes what happens individuals they do not know what like they can do because they have never visited that part of the competencies.

So, it becomes the responsibility of the organization to find out like; yes this employee can be good for this. So, why not nurture the potential of that person for that you see like every point that we are talking of each here, are integrated with each other. So, if there is no good communication between the manager and the team member, the team leader the team member. So, they will not open up about the discussion and they will be fearful about like why should I tell should I express my views and all. So, the open dialogue the feeling of trustworthiness these are important for performance management.
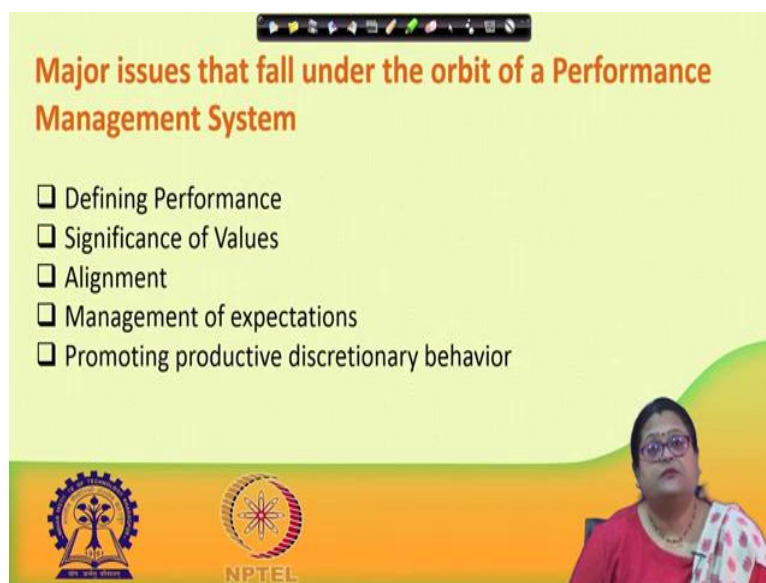
So, coaching, guiding, motivating and rewarding colleagues to help unleash potential and improve organizational performance is an important point of what you understand by managing performance. And as we see, like it is built on excellent leadership qualities, we talk of empowering leadership we talk of; we talk of empowering leadership, transformational leadership. These are in important leadership qualities, which are focus

which knows their followers like their like their palm and they understand what they want or what they can do or what is the potential that needs to be like nurtured?

So, that tomorrow these employees become they can work wonders for the organization and also they can improve on their own competence. So, in high quality coaching relationships between managers and teams, one to one bonding knowing your employees well. These are very very important parts important points for performance management system. So, next practitioner's view; performance management is designed to ensure that, what we do is guided by your values and is relevant to the purposes of organization. These are important points if you see guided by our values and relevant to the purposes of organization.

Why the guided by your values is important? We understand as we discussed in the last slide, we are responsible; we are accountable to the stakeholders. Because we are drawing resources from the society, we are responsible to the stakeholders at large. We are accountable to the stakeholders and we need to be transparent, we need to be like honest. So, in that case the performance management needs to ensure like the values of the and it is the philosophy which is guided by the values of the organization and collective values of the individuals within the organization. And it is relevant to the purpose of the organization as such.

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When we talk of like the issues facing performance management. Yes we understand like telling something is maybe easy, but while we really want to practice it in the field we are

doing it in the field itself its really tough. And while we are practicing it in the fields, while we are trying to implement it while in the process in the organization there will be various issues which will be cropping up.

Here we have tried to discuss on some of the issues which are there and then we will discuss these things in details also. Like first important point maybe the issue that we come up is defining. What is performance? Then what are the significance of values? How to align individual's goals and organizational goals? How to manage expectations? That is management of expectations and promotive productive and discretionary behavior.

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So, these are some of the issues. Let us discuss these things in detail. Few more issues me come up, you may think of few more issues also and you can come up with those discussions in our discussion about. So, let us first see what we have tried to find out and discuss over here. The first is defining performance is very important. So, performance is normally defined and in quantitative terms and often relates to the achievement of quantitative objectives. But like if you do this much means you have performed ok.

But it may also be need to be defined in qualitative terms like suppose in terms of measuring customer satisfaction. So, for effective management of performance both input and output must be considered. When we talk of input means your knowledge, skills, abilities, attitudes so, these are inputs that is your behavior and results that is a output must be considered. We need to understand like when you define performance; performance is a function of we have

to remember performance is a function of like, we can talk of the persons, the environment or the situation and of course, the time.

$$P = f(p,e,t)$$

This equation we have to understand performance is a function of the qualities of the person, the qualities that the person is going to have. Which talks clear you talks of the input part, but again performance is done in a specifically in case of organizations it is done in an organization set up. It's having its own resources, its having its own systems in place, it has its own values and its ways of doing things. So, when we talk of performance it is a function of both the person who is doing things and it is the in an environment in a set up in a situation in which is to start.

And of course, at time the time in which it is done. So, the it is a function of all these things together when you talk of individuals performance, but again like you been talk of a organizational performance also, we find like as a function of the how again these individuals are working towards achieving the organizational goals? And how the goal setting is done? In a particular time that is why we have a long term vision. Why we have to? Why we want to do? Like what is the present mission? And what are your goals? So, we have to understand like performance, when you talk of performance it is a complex soul of where many; there are many variables which are contributing towards it.
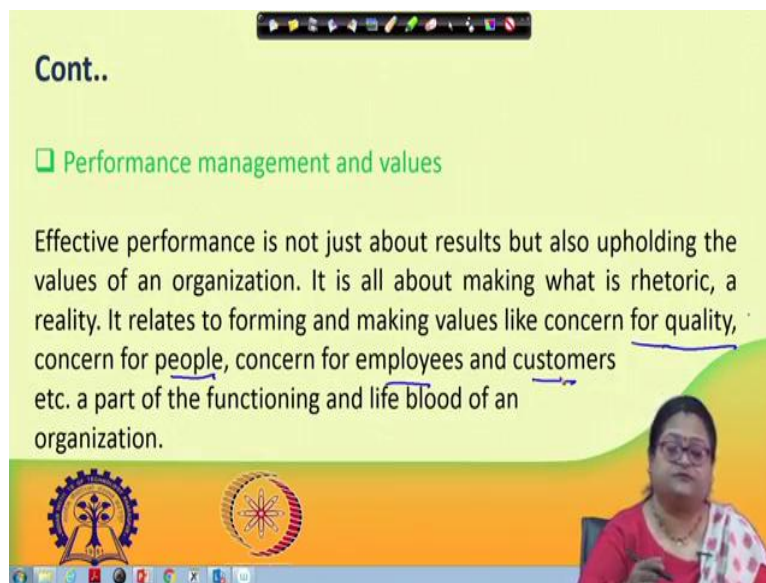
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In case the performance is not clearly defined and quantified, it will lead to ambiguity amongst employees and even conflicts at a later stage between the management and the employees over poor performance appraisals.

Defining performance measures properly is a key to an effective performance management system.

So, what happens in case if the performance is not clearly defined and quantified? It will lead to ambiguity amongst the employees and even conflicts at a later stage between the management and employees over poor performance appraisals. So, defining key performance measures clearly is an effect is a key to improving the or effective performance management system like this are your this is what we mean by your performance and these are what is expected of you.

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Performance management and values this is a very important discussion like there are certain values of, what the as a part of the culture of the organization; ethos of the organization the organization believes in and the performance management system should be focused towards like, how to get an expression of those values in the system that is developed. So, when we talk of an effective performance management system. Ineffective performance is not just only the outcomes end result, but it is also the process and it is the process of also upholding the values of a particular organization.

So, it is all about making what is rhetoric a reality. So, relates to forming and making values like there are certain values of the organization like concern for quality; concern for quality, concern for people, concern for employees and customers etc as a part of functioning and lifeblood of an organization. So, these are certain values of an organization which the organization follows and like the concern for quality is such concern for people, concern for employees and customers.

So, these are values which the organization follows and performance management system should help to express these values. So, that it helps to reach those values. And people by observing the organization from can outside understand. These are the key values for the particular organization because that is expressed in how the organization is doing certain things.

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Next is alignment. In alignment what is done? One of the key aspects of performance management, as we are telling repeatedly is aligning the is aligning the individual goals with the goals of the organization. So, this is very important. Like so, that whatever actions the individuals are taking in the organization must contribute to the development of the organization as a whole. So, individuals before joining the organization by understanding the vision mission of the organization. By understanding the goals of the organization can also. If I do have certain aspirations if I see myself not showing certain values in life want to achieve something in certain way want to do something certain way.

Then while selecting for the organization, it is actually a congruence of values value mapping of the individuals values with the value system of the organization. So, what happens like? So, if these two values actually match, then when a particular employee join a particular organization or also the organization selects individuals for their as a part of selection for the employees. We have to see whether the values and goals are aligned with each other. So, that what happens when whatever actions the individuals are taking it should contribute to the
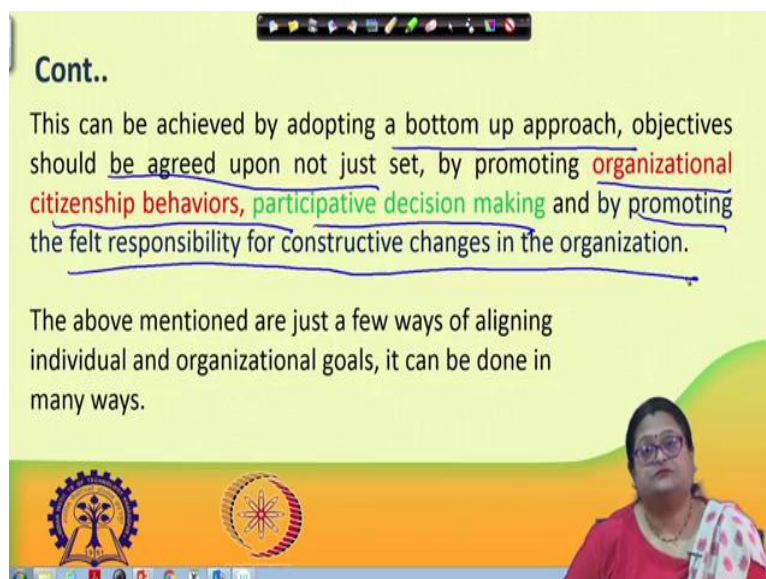
development of organization as a whole. And in this process also the employees also grow because what happens I may have certain aspirations to become something to contribute something.

So, that if I can do this I will these are the purposes of life that I want to achieve, but presently my level of competency may not be well developed. By joining a particular organization where the goals of the organization and the goals, individual goals are aligned together it may so happen the organization because performance management is a process of competency development also it helps in developing the individuals in the process of contributing towards the organizations goal the individual also develops in competencies.

I become a more matured person, I become a more empowered person, I become a more competent person in the course of my journey towards through the organization. So, it is a kind of like both of us grow together. This is a very very important aspect for designing a well designed performance management system. It should not be the growth of the organization, should not be at the cost of the employees' growth. So, both should have a feeling of growth; the employees also grows and the organization also grows.

When the personal growth and development are mapped, are aligned with the organizations goals and development both have a sense of fulfillment then only the alignment is complete.

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So, how this can be done is like this can be achieved by adapting a bottom up approach this is very important. A bottom up approach objective should be agreed upon not just set objective. Should be agreed upon not just set by promoting organizational citizenship behaviors, organizational citizenship behaviors, participative decision making and by promoting the felt responsibility for constructive changes in the organization.

Individuals should have a sense of contributing being valued, being recognized, being asked for like please tell your suggestions. Tell me how we can improve? Tell us like what we can do to improve? And if we want to do it tell us what is the help you require. So, that may be like you become enriched enough to contribute positively towards the organization. So, it is a bottom up approach it is not to directly coming from the top, but it is a joint objective setting which is taken from the bottom. Like asking the employees like what we can become? And like how we can together move towards that? How what is that contribution you can make?

So, objectives should be agreed. So, it is a bottom of approach where objective should be agreed upon and by promoting it is not only set organizational citizenship behavior, feeling of ownership for the organization, identifying with the organization, then participative decision making this is very important of part of employee empowerment and by promoting a felt responsibility for the changes to be introduced in that organization. So, these are just few ways there could be other ways also of aligning the individual and organizational goals.
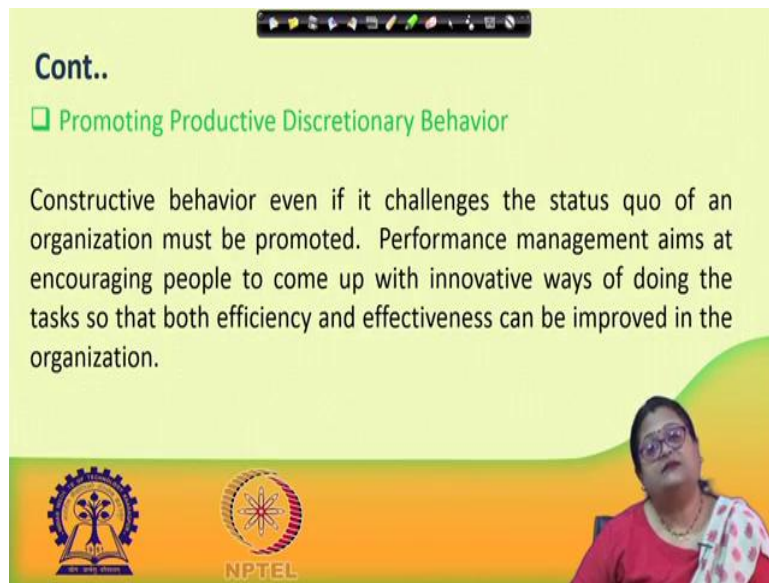
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Next is managing expectations well now these expectations are both from the organizations side and for the individual side also; setting the expectations correct and known to each other is very important. So, when we talk of managing expectations. So, it is line at the core of performance management; it is clear setting of a shared understanding on the organization's objectives and then along with defining like what people are expected to do and managing it by identifying deviations and taking corrective measures.

So, this is like and also like understanding from the other side what people getting to understand from the people what people can expect and what we can provide. So, this forms the basis maybe of the psychological contract also from the organization saying expectations are set in both sides; the organization can expect something he had unrealistic from the employees can also expect something unrealistic from the organizations. So, expectations are there on the both sides. So, it for a proper performance management system it is very very important like the people sit together the organization and the employee sit together.

To chalk out the expectations from each other which forms the basis of their psychological contract from each other. What I can expect from you? And what you are able to give? I can expect many things from you rather, but the organization may not have that capability to meet all my expectations similarly the organizations may expect so many things from the employees, but it may not be realistically possible for the employees to meet all those expectations.

So, joint sitting and discussions mutual exchange of ideas to come to a common point of understanding. What are the mutual expectations? From each other are very very important and to come to the conclusion these are your expectations and this is, what we can provide? And this is what we can together expect from each other and like provide to each other is very important part for performance management. Next when we talk of like after the expectations are met then.

Next is promoting productive discretionary behavior. So, any constructive behavior even if it challenges the status quo of an organization must be promoted. Because see performance management the in the heart of performance management is the empowering people. So, empowering people does not only mean they will always be nodding and saying yes to whatever we expect them to say, if we are empowering people, we are nurturing their creativity, we are nurturing their decision making power also. So, there we should encourage you rather the constructive criticism from the employees because they are observing our processes day in and day out.

And they are like they are the users the beneficiaries of those processes and they know the strength points and the weaknesses of the processes also and they can suggest process for improvements also. So, constructive behavior even if it challenges the status quo of an organization must be promoted because performance management aims at encouraging people to come up with innovative ways of doing things. So, both efficiency and effectiveness can be improved in the organization.

So, when we talk of like constructive criticism this must be well accepted well taken by the organization and this needs to be encouraged in the organizations also. So, that people will have the courage to speak up the people will have the courage to suggest new ways of doing things that is where a proper leadership style becomes very very important for a proper performance management system to like take its shape in the organization, otherwise it will

remain in words only like we are following a performance management system, but in essence will not come up.

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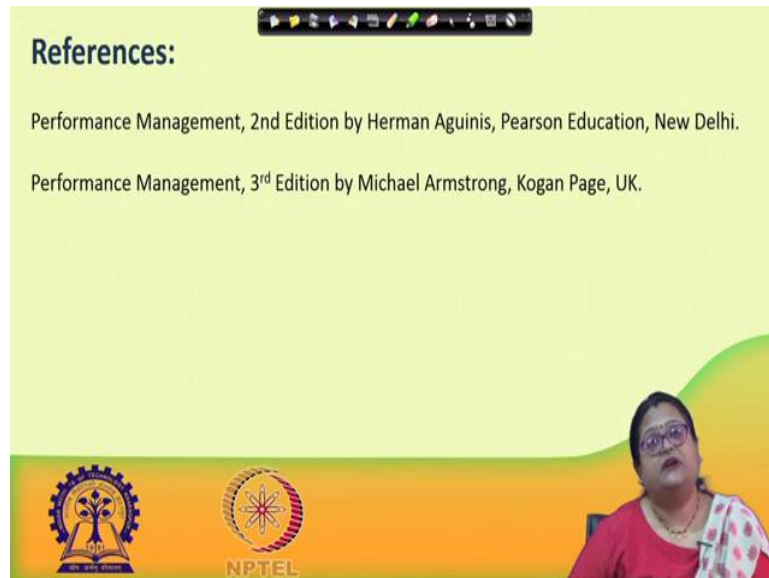
So, with this we come to the conclusion of this module the discussion is based on these references from these two books again where which we can focus on to have a better understanding in depth understanding again as I told there are many ways of aligning individual goals and organization goals.

So, you may also start thinking of certain ways where we can come up how we can align processes of align individual goals and organizational goals those of you who are practicing in organizations you know forum you can share some of the ways that you are practicing it in the organizations. So, that again in the next future discussions we can take up those examples from your side also and we can discuss on those we can take of those examples in a discussion.

And the other your friends who will be attending this course we will also be able to know the practices that are followed in their organizations we take this platform as I already shared in the introductory video we take this platform to be a mutual interaction as a platform where we are learning mutually. So, I welcome all of you to share your experiences in the discussion board that we have.

So, that in a future modules we can take up examples from there also to be make it more interactive with each other and we can learn from each other also and as a result mutually we grow and develop and this course also great enriches.

Thank you.