

Performance and Reward Management
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Lecture – 04

**Understanding Meaning of Performance Management and Reward Systems
Management with Performance Management Process (Contd.)**

Welcome back to the 4th module of the week 1 topic which is on Understanding Meaning of Performance Management and Reward Systems Management with Performance Management Process. I hope by now you have pondered on our last week's question on, whether performance management is related to reward management. And if yes then how? Like what kind of performance, with what kind of reward? Do reward really help to like increase the performance or in some cases it may act as hindrances also.

So, I hope by now you have thought on these questions and you have got your answers for it, and if you are so, please write back to us and we are going to share our experiences with you.

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Now, in this module, we are going to discuss on the prerequisites for a performance management process and the performance management process as such.

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Performance management process

Pre-requisites before a performance management system is executed in an organization:

- Knowledge of organization's vision, mission and goals of an organization
- Knowledge regarding jobs

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The way we are talking of prerequisites for a performance management process. So, it is very important to discuss on these prerequisites, see because if you think of like, we will be following the or introduced the system of performance management in the organization.

Then it is not something that, we can do it overnight. So, it has to be very well planned, pre thought and you know like lot of thinking has to go inside it. So, it has its own prerequisites. So, before we talk of the performance management process and introducing of a performance management system in the organization. So, we will first discuss about the prerequisites of the performance management system. What the first prerequisite about the performance introducing a performance management, system in the organization is the knowledge of the organizations, vision, mission and goals of an organization and also the knowledge regarding the jobs. So, let us discuss in details about these two topics.

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Performance management process

Knowledge of an organization's vision, mission and goals of an organization

- Vision is where the organization sees itself in long run
- Mission is what for an organization exists
- Goals are strategic objectives established by company's management to outline expected outcomes and guide employees' effort

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When we talk of the knowledge of the organization's vision, mission and goals. So, we need to understand these three terms very clearly. When we talk of the organization's vision, it is where the vision is of an organization is where the organization sees itself in the long run. So, it is a future oriented thing like from now how do I project on, where I will be, where I want to see myself in future. A mission is like, what for an organization exists. So, it is like more on the values of the organization.

So, what is the purpose for what I exist and like what the present what are there. So, what I can do with what I am supposed to do about it? And goals are strategic objectives established by the company's, management to outline expected outcomes and guide employees' effort. So, when we talk of goals; goals are strategic objectives established by the company's management to outline expected outcomes and guide employees' effort.

So, setting of proper goal for the organization is also very important, because if the goals are not set properly, what I want to achieve and what I what are my expectations from my employees then I can, I cannot guide by the efforts of my employees.

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Why is this important?

Because there is a persistent interplay between vision, mission and strategic planning, which indeed is the first phase of the performance management process.

It helps an organization define its purpose of existing and devise strategies for achieving its goals.

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Now, why these are important? So, why these are important, because when we talk of there is an always interactions, interplay between the vision, mission and strategy planning of the organization.

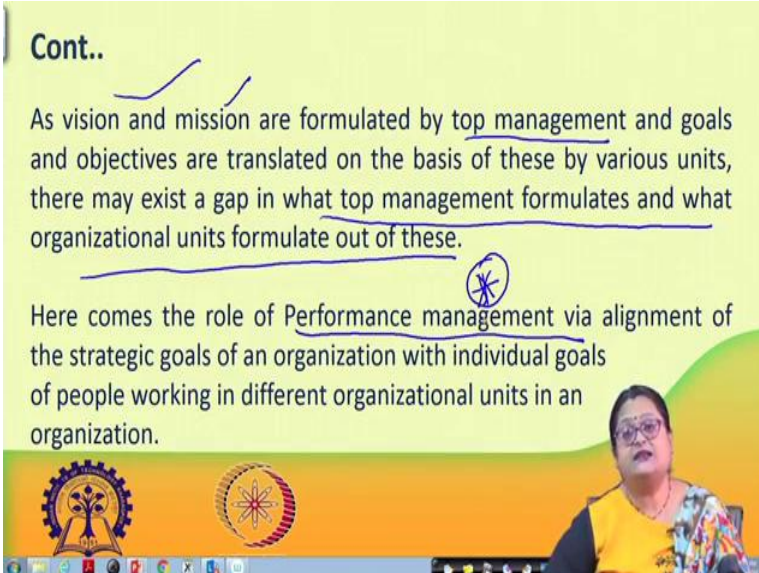
If I do not understand, what I want to become in future then I cannot plan ahead. If I do not understand, what is the purpose for my existence? And like what is the philosophy which is guiding me? Then it is very difficult to choose again a future vision like, where I want to be. So, where I want to be is a progress, progressive growth in terms of like, where I am there at present and what I want to become in future. It's a point of decision of change also do I want to continue to be what is I am presently or I need to change myself in terms of the my business, my identity that I have.

Do I need to bring in any transformational changes also? So, all these will be guided by when I understand, what are my vision and mission and obviously, the based on that the goal setting. Like if I have to translate my vision into a reality and move forward with a mission then what are the goals that I need to achieve. And then if I have to these are the objectives, which are when we talk a vision and mission these are statements; statements which expresses our like thought processes.

Mission is more guidance in its more like; when you talk of mission it is more well written in terms of yes for these purposes I exist and but when you talk of goals these are again more doable terms. So, when we have a very abstract concept written and it has to

be translated down into something which is doable. And that is where importance of goals lies because if you are not well strategically planning for your goals, then truth is goals you are going to give an expression of your vision and mission. So, that is where in the connection between all these three things. So, and that is important, because it helps the organization, its purpose of existing and device strategies for achieving its goals.

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As vision and mission are formulated by top management and goals and objectives are translated on the basis of these by various units, there may exist a gap in what top management formulates and what organizational units formulate out of these.

Here comes the role of Performance management via alignment of the strategic goals of an organization with individual goals of people working in different organizational units in an organization.

Now, when you are talking of why these are important for the organization in order to this is like a self search exercise for the organization. If I do not know, what are my vision, mission of the organization what are the goals that I need to achieve. So, then I cannot know how I need to perform in order to achieve that particular goal. And what are the expected outcomes? What will be my input and what will be my throughput process? So, as like vision and mission are formulated by top management and goals are then objectives are translated on the basis of these by the various units.

So, sometimes it may happen, like there is a gap of understanding as we told, what the top management formulates and what the organizational unit formulate out of this may sometimes, there may be a gap in understanding if not it is approach where like appreciative enquiry is done. All people like the vision mission though, we understand it is a something, which is formulated by the top management.

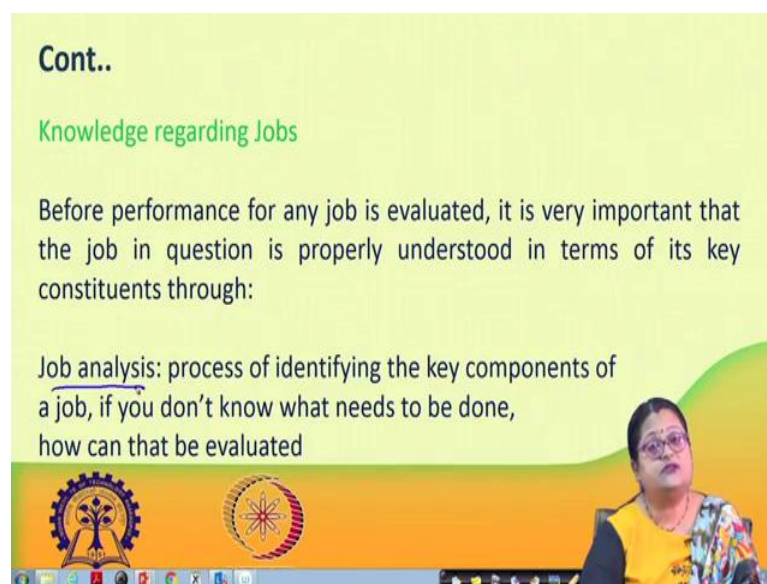
But have they considered the viewpoints of the other employees also, taken a bottom up approach in terms of appreciative enquiry. In terms of how the employees have you

know, visualized, where their organization will be going, how do where they want to see their organization. If it is a shared goal setting, then there is no discrepancy may happen between what the top management sees visualizes and what the units understand. If there is a gap of understanding, lack of communication, difference in mindset these discrepancies may happen. So, it is very important for a joint understanding, shared understanding of the vision mission and the goals of the what the organization is visualizing for itself and the what the departments and the individual things like what the top management is thinking.

The role of performance management is very important over here, because performance management is that system; performance management is that system which helps in the alignment of the strategic goals of the organization with the individual goals of the people working in different organizational units in an organization. So, through a proper performance management system, the organization's goals are translated down into that each of the departmental goals and each of the departmental goals and then again translated into group goals present and in the group also individual goals.

So, all the goals get connected and aligned with each other; if this is not done properly, then what happens there may be a lot of gaps of understanding in what I understand to be contributing to a better performance and what my department understand or the organization as a whole understands.

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Knowledge regarding Jobs

Before performance for any job is evaluated, it is very important that the job in question is properly understood in terms of its key constituents through:

Job analysis: process of identifying the key components of a job, if you don't know what needs to be done, how can that be evaluated

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Knowledge regarding jobs: Before performance for any job is evaluated, it is very very important that the job is well understood. And it is in terms of what constitutes the job. And for that the process through, which we do it is called job analysis.

Job analysis is a process of identifying, the key components of a job and if you do not know like what needs to be done. And then how it can be evaluated. Now if we understand there is a clear link between this, the when you talk of performance management is the alignment of the goals of the organization with the departmental goals and the individual goals and the roles that the role incumbent is going to take up in the organization. Because when you talk of job analysis, the first step in the job analysis process is to get this connection of how this job needs to be defined properly what will be the description of the job. So, that it is going to connect with the objectives of the department and the objectives of the organization.

So, we have to understand the components of the job and in order to perform that like what are the requirements of that job and corresponding to it if these are the job requirements, then what are the nature of the employees required in terms of knowledge, skill, abilities, attitudes and other attributes, which they will make it them a better role incumbent who can do justice to a particular row.

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Job analysis can be conducted through:

- ✓ observation
- ✓ off-shelf questionnaires
- ✓ conducting interviews

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The job analysis can be conducted through observations, it can be given through off-shelf questionnaires and it can be conducted through interviews also.

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For better understanding, Lets do a job analysis of the job of a sales man,

Think of the key constituents that make up a sales man job

Activities

- Selling
- Generating leads
- Meeting customers regularly
- Service selling.... What else?

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Like let us do a job analysis of a salesperson's job. So, what are the key constituents of a salesperson's job? First it is selling, generating leads, meeting customers regularly, service selling, anything else? So, you have to think of. So, what we are doing here, we are listing of a sales person's job and the different components that the person needs to do.

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Performance Management Activities

As per William Deming (1986), the performance management process consists of four basic activities:

- Plan
- Act
- Monitor
- Review

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And if we are going to do it, then what happens like after we have done this job analysis suppose like, we have to do taking up these components there could be other components

also. Now, we have to describe each of these components properly. We have to describe each of; we have to describe each of these components properly. Like if these are the key constituents that make up a sales man's job, then what selling; we have written here in one word, but we have to elaborate on each of these, selling means what? What is done? What activity is if done? What all target if achieved? We understand that the person is selling properly.

Similarly, generating leads, what all if done? What activities if done, we will understand the person is generating leads, meeting customers regularly. So, should like if the person is only meeting customers regularly, but nothing is happening out of it nobody is buying whatever he is selling. Should we tell, should we consider he is a good salesperson or not and service selling. So, there could be other components also, but for each of them we have to define the activities required. What the what all activities the persons are doing as a part of this?

What all activities the person is doing as a part of this. And to do those activities again, what are the kind of personal qualities in terms of education, in terms of personality, in terms of competencies, the persons will require like who will be the role incumbents. So, this will give you a requirement of the job analysis also what may so happen, these are the like factors different constituents of salesmen job. The priority of these may vary according to the nature of the organization, for something may be selling is important, but for another salesperson according to the job role that is given, may be generating leads is important for that person.

Because maybe, if you want to grow, if you want to increase your customer base in future, if you want to get more loyal customers in future, may be generating leads, meeting customers regularly, service selling these are going to become more important for you. Depends on what is your vision how you want to, want to see yourself in future and how you want to see yourself in future depends again how good you have done your analysis of what is your competitive environment.


What you want to do in order to sustain yourself in the business and for that which component of the job is important. So, in that way you have to move back and forth in asking the wh questions which are going to show you the correct lead of the jobs different components which are there in the job which one is more important.

Performance management activities there are like as per William Deming. So, the performance management process consists of four major activities which are very basic to it. Which is, plan, act, monitor and review, we are going to discuss each of these in details.

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- Plan : It is all about deciding what is to be done and how?
- Act : What needs to be done to make the plans formulated a reality?
- Monitor: Carrying out regular checks to make sure things are progressing as per plans



Planning is all about deciding, what is to be done and how when you talk of act, what needs to be done to make the plans formulated a reality? Monitor, carrying out regular checks to make sure things are progressing as per plans.

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- Review : Comparing what was decided with actual outcomes, taking steps to correct deviations



And reviewing comparing what was decided with the actual outcomes and taking steps to correct deviations.

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Performance Management Process

- ❖ Performance Planning
- ❖ Performance Execution
- ❖ Performance Assessment
- ❖ Performance Review
- ❖ Performance Renewal and Re-contracting

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So, when we talk of performance management process, it more or less has these steps like in terms of performance planning, performance execution, performance assessment, performance review, performance renewal and re contracting. Let us have a look into each of these in details

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Performance Planning

The first step in the performance management process is Performance planning

It is all about setting the performance expectations and goals for individuals in line with the overall objectives of an organization.

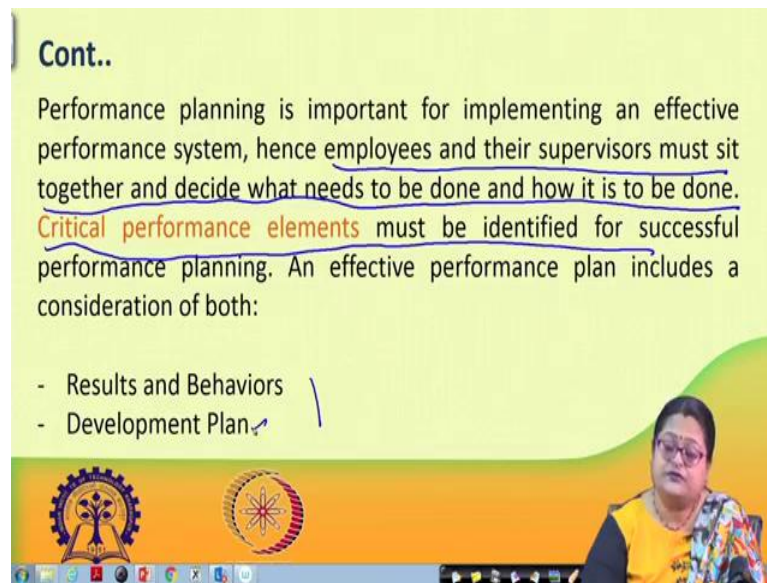
In simple words, performance plans explain what employees are expected to do to accomplish their jobs successfully.

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When we talk of performance planning, it is the first step in performance management process. So, as we telling like proper planning is very very important. It is important for setting the performance expectations and goals for individuals in line with the overall objectives of the organization. It helps to explain what the employees are expected to do to accomplish their jobs successfully, but to do this again we need to understand like to do this it is important to understand like the if you have to look into the overall objectives of the organization; then the vision mission of the organization will be very clearly defined and the goal set for it. Sometimes we find that the vision mission of companies are not very well stated. The employees they do not know, what are the vision mission of the organization? What the organization exists for and what it wants to become. So, these may be problematic scenarios, where the people do not know, what they are existing for and what they are heading towards and what is their purpose of existence. So, when we talk of the overall objectives of an organization having a clear concept well written a vision mission statement, which is not very ambiguous in nature is very important. In the future modules when we will be doing some exercises maybe, we will take up exercises on these also.

In simple words, performance plans explain what employees are expected to do to accomplish their jobs successfully. So, if the employees are not knowing like, what are expected of them, they, this is an unguided situation, where they will start doing maybe random things and thing like we are meeting the expectations. So, when their, but when the clear expectations are written, it gives him a guidance of what to do and what not to do.

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Performance planning is important for implementing an effective performance system, hence employees and their supervisors must sit together and decide what needs to be done and how it is to be done. Critical performance elements must be identified for successful performance planning. An effective performance plan includes a consideration of both:

- Results and Behaviors
- Development Plan ↗

Performance planning is important for implementing an effective performance system. So, hence so, employees and supervisors might sit together and decide what needs to be done and how it is to be done? So, this is important in the sense the word like employees and supervisors might sit together and decide what needs to be done and how it is to be done. This line is very important in the sense, it should be a shared performance plan. As we were already discussing in the last modules like, if you are setting certain expectations it should not be unrealistic expectation setting, where the employees feel suffocated under the expectations.

Because every persons have their limitations in terms of maybe their abilities, in terms of their interest maybe the constraints in life also it is not only their abilities or the interest, but there could be certain constraints in their life, which may like act as a like blockade for the person to work in a certain way. Because though the person has to live with those situations life situations constraints. So, now, if I set very high expectations without considering these things, maybe the person will not be able to give the best to the demands of the job.

So, the employees are and the supervisors must sit together and decide what needs to be done and how it is to be done. So, and for that some critical performance elements must be identified for successful performance planning. So, critical means the, these are the elements which need to be done, maybe if there are ten elements in the job you cannot

avoid doing some two three of them, because that defines the job itself and very critical for performing. So, some critical performance elements may be identified for successful performance planning and it should include both results and behaviors and development plans.

So, it is not only the results and behaviors, which are expected of the employees, but how the employee can develop from the present competency level to the future ones. Results in behaviors.

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Results and Behaviors

Results: Results dictate what an employee must produce for satisfactory performance of a job. Results take into consideration the key accountabilities associated with a job which is usually summarized in a job description. Objectives specification also forms an important part of results as objectives specify important and measurable outcomes associated with a job.

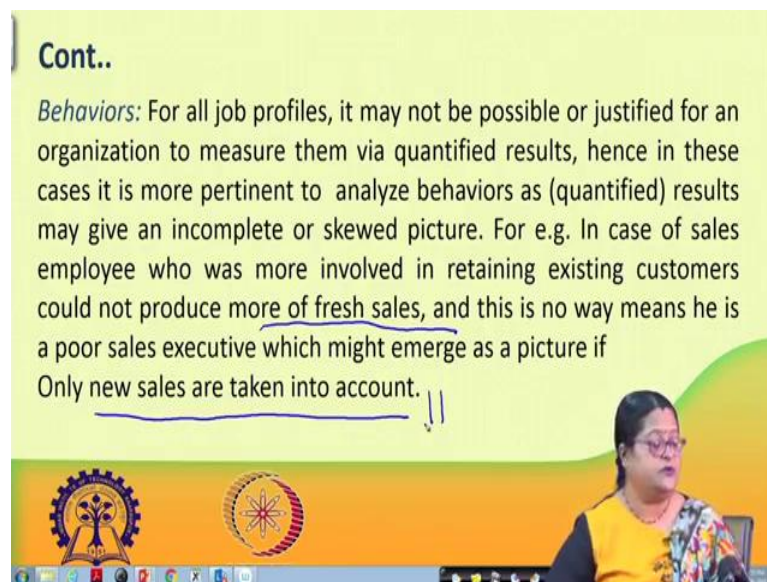
Results dictate what the employees must produce for fact; must produced for satisfactory performance signature. Results take into consideration, the key accountability is the point of importance over here, the key accountability is associated with the job which is usually summarized in job description.

So, whenever we are talking of performance management, we are talking of shared goal setting, we are talking of alignment of individual's goals with organizations, departmental goals, but along with the shared goal settings also comes increase in responsibility and accountability. So, whenever we are talking of the results, we are more focused on what all the employee will be accountable for. Objective specific issues also forms an important part, so, the results as objectives specified important and measurable outcomes associated with the job. So, as we discussed earlier also, what cannot be measured cannot be managed.

So, if you are talking of the expectations in clear terms of activities that we need to do. So, and the most important, when we are talking of critical measures for some critical performance measures. So, two/ three very vital activities that you need to do and what are the out like measurable quantities of it that which we can see that you have achieved. These are important things that needs to be discussed, when we are talking of the results itself. If the terms cannot be vague, it cannot be under not measurable terms.

So, if you feel like some rigid results have been achieved. So, we have to answer come down to the questions, what if done? What quantity if achieved? What target if reached will show that the employee has achieved certain result.

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Behaviors: For all job profiles, it may not be possible or justified for an organization to measure them via quantified results, hence in these cases it is more pertinent to analyze behaviors as (quantified) results may give an incomplete or skewed picture. For e.g. In case of sales employee who was more involved in retaining existing customers could not produce more of fresh sales, and this is no way means he is a poor sales executive which might emerge as a picture if Only new sales are taken into account.

When you talk of behaviors; so, what happens, sometimes it may not be possible to measure everything by quantified results. So, it is the change in behavior, which is looked into like for in a case of a sales employee who is more involved in retaining existing customers could not produce more of a fresh sells.

So, in case he is not able to produce more of fresh cells and this is no way a means he is a poor sales executive. So, in which would have like would have become, if only new sales are taking into account. So, this is very important. So, when we talking in the last slide also, if you remember when we were talking of like defining if you are talking of when we are talking of defining who is a good salesperson we talked of like in selling,

generating leads, meeting customers regularly, service selling and some others are the qualities of a good salesperson.

So, in case like here, the example that we are discussing, if the person is involved in retaining existing customers and in doing so, like he is not been able to produce more fresh sells, but the parameters that have set for measuring who is a good salesperson. And we have just taken only new sales generated as the results that will define whether you are a good salesperson or not. Maybe I am not doing justice to this person. So, while setting the results and behaviors together should define the performance of the individual. And like the efforts taken by the employees should also be recognized properly and the what that person has focused on.

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Development plan: It is very important for supervisors as well as employees to devise a development plan before any review exercise is conducted. A development plan majorly identifies the areas that need improvement and setting concrete goals in identified areas of improvement.

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Development plan: so, it is very important for supervisors and employees together to devise, a development plan before the review exercise is conducted. A development plan which majorly focus on the areas that needs to be developed with the employee and setting concrete goals in identifying areas of improvement like what I need to develop? What I need to improve? What, if done; will show I have improved on certain things.

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References:

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

Performance Management, 3rd Edition by Michael Armstrong, Kogan Page, UK.

So, these are the references for this book like, we have taken this from these two books which you can read in details further for understanding the details of the chapter. Any queries please write it in the forum; we are there to answer to all your queries.

Thank you.