

Performance And Reward Management
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Lecture - 06

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

Welcome to the first module of the second week.

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In second week, we will be discussing on the topic of Developing and understanding as to why performance management and reward management are of strategic importance and their role in strategic planning.

So, we have been discussing in the first module itself like it is very important that the performance planning and the reward management, performance management and reward management are well aligned with the vision mission of the organization, and like it is connected with the strategic planning of the organization.

So, here in this week, second week we are going to get a further clear understanding with well defined reasons while, like why performance management and reward management are of strategic importance, and how we do it and what would like, what are their role in strategic planning.

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So, the concept which should be covered in the first module today is we have to get a clear understanding of what is strategic planning, we will get some expert views on what is strategic planning, and we will understand what is the purpose of strategic planning.

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So, let us begin. So, when we talk about understanding the meaning of what is strategic planning. It is the overall envisioning of the future of an organization and taking steps towards making that future a reality by broadly defining the goals and objectives of the organization and figuring out the way for achieving that defined goals and objectives.

So, what you see over here when you talk of strategic planning, it is a future focused activity in which it is a vision you have to be a visionary leader, you have to be your visionary thought process in the sense you have to find out based on the present business scenario that you have, that you are in based on the changes in the environment that are happening.

And its effect on you and how you are affecting the business scenario and environment, then what will be the future of an organization, can you continue in the future as you are now or you need to change yourself, you need to do something different and become something different, these are certain critical questions that you need to answer when you try to like envision the future of a particular organization.

And if you see like this is where I see myself in future, if this is like right in a c in like junior classes that we get like what you want to become in life kind of. So, which is a like you try to predict and you try to like imagine dream for yourself what you want to become in in your next few years in life. And, it is not only like when you talk of strategic planning, it is not only that you dream of a future, but it is and you feel like you want to become like that taking all other realistic situations into considerations.

But, it also understands how to make your future this vision that you have about your future or reality and what are the steps you need to take towards like reaching that future. If you have to achieve if you have to reach that future what are your goals and objectives and how you are going to move closer towards that goals and objectives.

So, one of the basic tasks for this strategic planning is of course, allocation of resources for various to the various units of the organization after prioritizing them. As we discussed in the last module like for each objective different departments, may have their strategic importance. So, after allocation of, after prioritizing them, you allocate your resources to them and then you would like connect the functions of each department with the function of the other department for the achievement of the overall objectives of the organization.

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To be precise, a strategic plan serves as a **blue print for defining and achieving organizational goals**

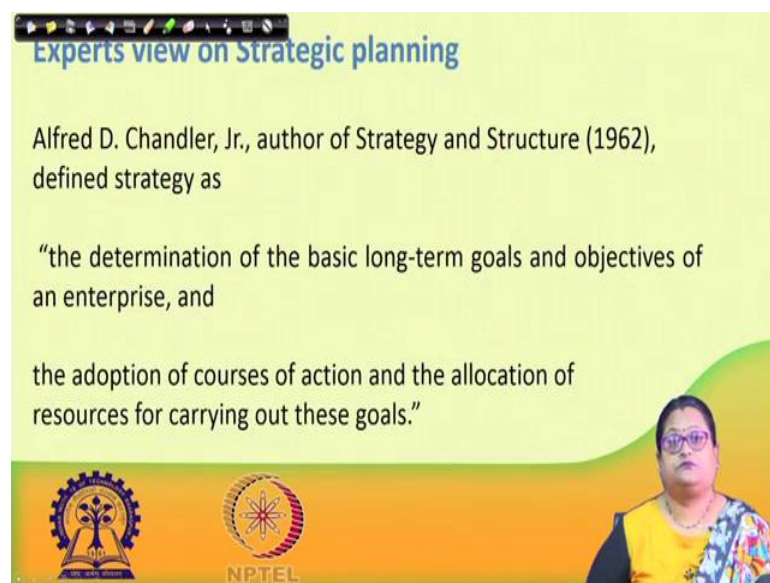
It calls for a **sound alignment between resources and prioritized goals** of an organization

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So, to be very precise strategic plan it serves as a blueprint for defining and achieving the organizational goals. So, it asks for a very well aligned, alignment between the resources and the prioritized goals of the organization.

So, because there may not be plenty of resources and from the resources that you have you need to do allocation. So, you need to definitely prioritize and then find out which department to be given what kind of resources.

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Experts view on Strategic planning

Alfred D. Chandler, Jr., author of Strategy and Structure (1962), defined strategy as

“the determination of the basic long-term goals and objectives of an enterprise, and

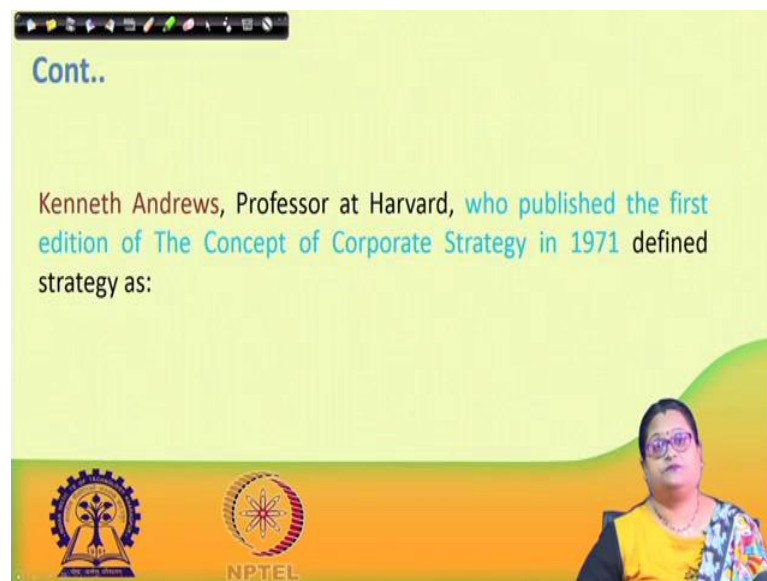
the adoption of courses of action and the allocation of resources for carrying out these goals.”

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Now, we will see some expert view on strategic planning so, that we can understand it in a better way. Alfred D Chandler, Junior, the author of Strategy and Structure way back in 1962 defined strategy as the determination of the basic long-term goals and objectives of an enterprise and adoption of courses of actions and allocation of resources for carrying out these goals.

So, it is not only visualizing a long-term goal and objective, but also what to do. You cannot be like just having a daydream I want to become this. You have to be realistically oriented to first that goal set you should be realistic based on your own capabilities and competences and challenges, and then after you have set that goal like what are the courses of action that you can take and how do you allocate your resources for that for carrying out these goals.

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Kenneth Andrews, Professor at Harvard, who published the first edition of *The Concept of Corporate Strategy* in 1971 defined strategy as:

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Kenneth Andrews, Professor at Harvard, who published the first edition of the concept of corporate strategy in 1971 defines strategy as.

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“the pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals, and defines the range of businesses the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities.”

(Source: Fred Nickols, 2016 https://www.nickols.us/strategy_etc.pdf)

So, if we go by in the details of the definition what you find over there, there are certain key points. The first it tells about the pattern of decisions in a company, it talks of when you talk of strategic planning it is a pattern of decisions. It is important decisions for what? That determines its objectives, purposes and goals. And when it does that it produces the principle policies and plans for achieving those goals.

The plans and policies how that goals can be achieved and if we need to achieve that the number of businesses the company has to pursue, and the kind of economic and the human organization it is not with the task organization. But, also the people organization it is like or it intends to become and the nature of economic and non-economic contribution it tends to make to it like shareholders employees customers and communities together who may call the stakeholders.

So, this strategic planning of the organization is a very crucial decision which shows its objectives, and how to achieve those objectives. If you have to achieve those objectives what is the kind of businesses that we have to do what will be the nature of organization, a task focused and people focused organization that we will be, and what will be your ultimate contribution to the shareholders per se and to all other stakeholders like what we have to give back to the stakeholders and how. All these gets determined by the strategic planning of the organization.

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Purpose of Strategic planning

- ❖ Strategic planning helps an organization define its purpose and identify the reasons for its existence. It helps an organization in understanding why it exists? (Vision and Mission)
- ❖ Assists an organization in reaching its desired state in future by effective utilization of resources
- ❖ Strategic planning helps an organization in understanding and adapting to the environment via SWOT

The purpose of strategic planning is it helps an organization as we told to define its purpose and identify the reasons for its existence, and it helps in the organization to answer question why it exists through its vision and mission statement. So, it assists an organization to reach its desired state in future by effective utilization of resources. So, it helps to answer the question why we exist, how we do what we want to do and it also helps the organization in understanding and adapting to the environment by our SWOT analysis.

So, if you are not doing your strengths what you understand our strength weaknesses opportunities and threats, will not be able to do a proper performance planning. So, because environment will guide what we can become in future and we can, we can also know what our strength points, so that we can also have an effect, we can also have an effect on the environment, swot analysis is therefore, very important.

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- ❖ Helps an organization in prioritizing and allocating resources to the most critical activities of an organization
- ❖ Stimulates a culture of cooperation via creation of common set of goals
- ❖ Provides scope for generating new opportunities

It helps an organization in prioritizing and allocating resources to the most critical activities of the organization. It stimulates a culture of cooperation via creation of common set of goals. This is very important as we are discussing some departments due to the nature of focus that we may have may become important of like critical strategic importance. But other departments also need to associate with them have to help them give them a support, so that they can perform their critical role. So, the culture of cooperation and creation of a common set of goals is very important.

The other department should not be getting that feeling like we are neglected we are not important, but maybe they are more important in the sense like if they are not giving their proper support then the critical department may not be able to reach their objective. So, there is, it is not that the other departments are not important. But again, due to the nature of objective some department may be more important than the other one, but the others are very very important as for the supporting role is concerned. So, provide scope for generating new opportunities also.

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- ❖ Strategic planning helps an organization in identifying activities that really matter
- ❖ Makes sure that resources of an organization are used in the best possible ways
- ❖ Provides critical information for implementation of performance management system

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Strategic planning helps in identifying the activities that really matter; makes sure that the resources of an organization are used in the best possible ways and gives critical information for implementation of a performance management system.

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- ❖ Helps an organization in reducing uncertainty
- ❖ Helps an organization in identifying potential risks

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It helps an organization in reducing uncertainty, and it also helps in understanding identifying the potential risk. So, if we are a good visionary leader and if you have studied our environment well, if we know our organization well, then we can understand like in order to move to the future position that maybe we are visualizing for the

organization what could be the potential risks in maybe chattering new courses of action, maybe starting new businesses or trying to continue with the way that as we are if you are not changing ourselves. So, it helps an organization in identifying the potential risks.

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So, with this we come to the end of this chapter, where we have discussed in this module the importance of like what is a strategic planning, how it is done and the importance of it.

Thank you.