

Performance And Reward Management
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Lecture - 07

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

Welcome to the 2nd week's discussion on the topic Developing an understanding as to why performance management and reward management are of strategic importance and their role in strategy planning.

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In today's module we are going to understand the linkages between performance reward management strategic planning and management and we have to understand about environmental analysis.

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The slide features a title bar with navigation icons and the text "Linking Performance Management to Strategic Planning". The main content consists of two paragraphs. The first paragraph states: "The formulation of a mere strategic plan does not guarantee results, what matters is linking the defined plans with individual and team performance in line with the strategic goals of an organization." The second paragraph states: "As organizations invest a lot of time and money in devising strategic plans, mistakes in implementation can prove to be very costly for an organization and definitely inefficient in case these are Not aligned with performance planning and management". At the bottom, there are logos for a university and NPTEL, and a small video inset of a woman speaking.

So, linking performance management to strategic planning; so, what we understand is that mere formulation of a strategic plan does not guarantee results. So, what is more important in order that the plan can be executed properly is linking the defined plans with the individual and team's performance in line with the strategic goals of the organization. Because we have to understand it is ultimately the individual or the and the team together as such who are going to give shape in reality to the strategic plans taken for the organization.

And if their performance is not linked with the goals of, the strategic goals of the organization, then this strategic plans will not be yielding any result. So, it is very important to link the defined plans with the individuals and team's performance and in line with the strategic goals of the organization.

So, an organization like if even if it spends lot of time and money in devising the strategic plans, a small mistake in implementation can prove to be very costly for an organization and it will be inefficient in case it is not aligned with the performance planning and management.

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The linkage between the performance management and strategic planning can be scrutinized by observing the connection between an organization's strategic plan, a unit's strategic plan, job description and individual and team performance.

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So, the linkage between the performance management and strategic planning can be scrutinized by how? By aligning the observing the connections; it is by observing the connections between and organization's strategic plan, a unit's strategic plan, job description and the individual's and team's performance.

So, the organization's plan, unit's strategic plan, job descriptions of the employees and how to team like what are the team goals and how their performance can be evaluated; all these things needs to be well connected with each other.

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Understanding an Organization's Strategic Plan

An organization's strategic plan mainly comprises an organization's vision and mission statement, which are further translated into goals and objectives.

It is very important to note that before an organization's strategic plan is formulated, a careful analysis of the organizations' current competitive position must be conducted.

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Now, understanding organization's strategic plan mainly comprises of understanding the vision mission statement of an organization and which are then further translated into the goals and actions. So, it is very important to understand like before we can think of what will be the strategic plan, what we can do in future? It is a very very important to understand who where do we stand now ok, what is our present position?

So, a careful analysis of the organization's current competitive position must be conducted because if you if you're not very sure like where we are now, what we can do now, what are, who are our competitors now; then, how do we know like what are our strength points and what we can do in future. So, it is very important to do a careful analysis of the organization's current competitive position and then, based on that we can do our like what we can be in future.

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The various steps which must be conducted for effective strategic planning are:

- ❖ Conducting Environment analysis
- ❖ Formulation of organization Vision
- ❖ Formulating organization's Mission
- ❖ Setting Goals and Objectives
- ❖ Creating Strategies for achieving the defined goals and objectives

So, the various steps that can be conducted for effective strategic planning are conducting like an environmental analysis, formulating the organization's mission, formulating organization's mission, setting of the goals and objectives and creating strategies for achieving the defined goals and objectives.

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Understanding Environmental Analysis

Environment analysis is all about taking a broader picture before strategic plans are formulated.

It is usually conducted by performing a SWOT analysis which means an analysis of organization's strengths, weaknesses, opportunities and threats. While on the one hand strengths and weaknesses are internal to an organization, opportunities and threats are external to an organization

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When we talk of understanding the environment during an environmental analysis, so it is a broader picture of understanding what is our like the macro environment in which the business is functioning and what are the different like actors in that environment doing and how it is affecting our business and how we are affecting their business. So, proper environmental awareness and pro activeness on the part of the organization is very very important for doing a proper strategic planning.

So, how that environmental analysis is done, is like we can do like SWOT analysis which talks of the organization's strength, weaknesses, opportunities and threats. So, where were the strengths and weaknesses are internal to the organization and opportunities and threats are external to the organization.

So, what it feels at its strength and weaknesses, opportunities and threats; we have to see like how it is able to deal with the environment and this environment analysis we can also talk of the PESTEL analysis.

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What constitutes an opportunity?

An opportunity indicates **an area where an organization can succeed or subsist profitability**

Examples of opportunity include: new technological advances, untapped markets or unsatisfied needs of the customers.

But how can we actually identify opportunities?

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So, what constitutes an opportunity for the organization is where and that organization can succeed or subsist profitability. So, examples of opportunity may include new technological advances, untapped markets or unsatisfied need of customers. But how can we really identify opportunities? To do that we have to know like what are our strength points and like in that case only if our strength gets mapped with the whatever capabilities competencies, then that we can map to the like this can be the opportunities that we can tap into.

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What is a Threat?

Threats: **Elements or characteristics in an environment which can stop an organization from being successful.**

In other words, a threat is a **challenge emerging from an unfavorable trend** in the market

Example of threats include: economic recession, competitors coming up with new and advanced products, present technology turning obsolete

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What is a threat? Threats are elements or characteristics of an environment which can stop an organization from being successful. In other words, a threat is a challenge emerging from an unfavorable trend in the market. So, it includes like threats include economic recession, competitors coming up with new and advanced products, present technology turning obsolete.

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Identifying opportunities

How can we identify marketing opportunities?

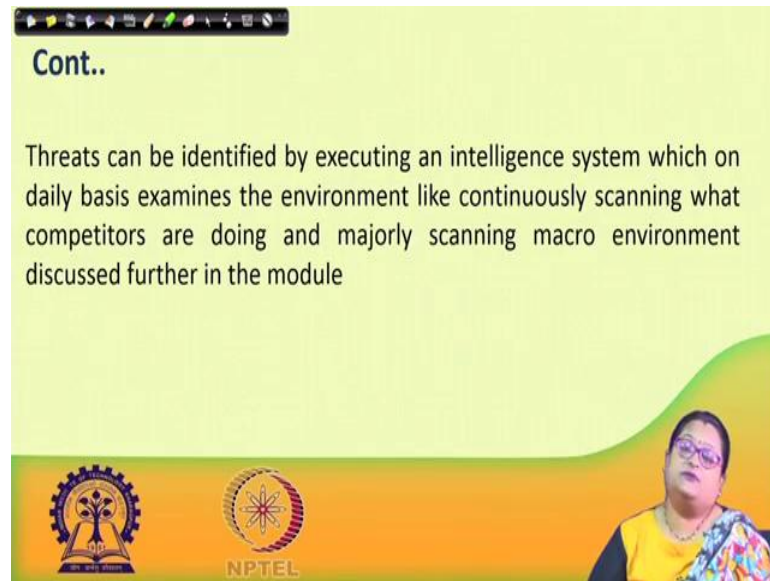
- ❖ Offering something which is in short supply
- ❖ Identifying the unsatisfied needs of the customers
- ❖ Analysing how can we better serve markets in responses to competitors
- ❖ Exploring untapped markets etc.

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So, how can we again as we are telling how can we identify the market opportunities is like for example, offering something which is in short supply, identifying the unsatisfied need of customers, analyzing how we can better serve the markets, exploring untapped markets. But, again, this we can do only when we have a strength points in terms of we do have the capabilities and competencies of doing these things.

So, based on what is the it is a balance between actually what are strength and weaknesses, will determine whether we see something again as an opportunity or as a threat.

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Threats can be identified by executing an intelligence system which on daily basis examines the environment like continuously scanning what competitors are doing and majorly scanning macro environment discussed further in the module

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Threats can be identified by executing an intelligence system which on daily basis examines the environment like continuously scanning what competitors are doing and majorly scanning macro environment discussed which is further in this module.

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External factors that must be considered before conducting environment analysis

Economic environment: Considering economic trends, it is the sum total of economic conditions and nature of economy in which a business actually competes with other players

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The external environment which can be considered for discussing on environmental analysis is first of course, the economic environment. It which consists of the economic trends, some total of economic conditions and nature of economy in which the business actually competes with other players.

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Political and Legal environment: Considering how the political changes like changes in the government in power or laws and regulations implemented by the government will affect our business or an organization. For e.g. considering the impact of regulations regarding maintaining diversity in workforce on recruitment and selection and recruitment processes of an organization.

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It is the political and the legal environment which is the how the political changes in the government in power. The new laws and regulations in like which are implemented by the government which may affect our business. So, like maintaining laws and impact of regulations, regarding maintaining diversity in work force, recruitment and selection process of the organization.

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Social environment: Changing social paradigms, considering how social settings impact our business, analyzing the impact of an ageing workforce on an organization

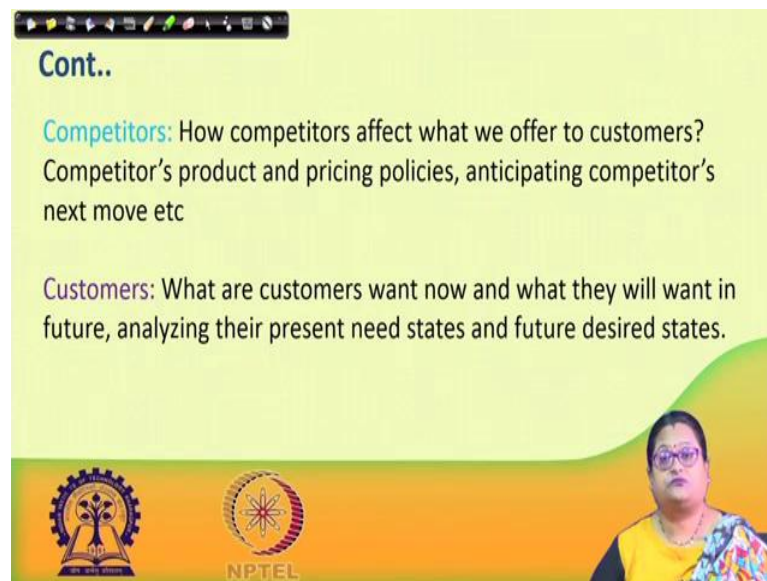
Technological environment: Anticipated technological changes or current technology going obsolete

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So, how it is affecting? So, these kind of things may affect nature of a business. When you talk of social environment changing social paradigms like how social settings affect

our business the effect of ageing work force or an organization then, use of maybe people getting connected more through social media. So, all these may have an affect in the nature of business and how you answer to the needs of your customers. Technological environment is environment technological changes or current technology going obsolete.

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Competitors: How competitors affect what we offer to customers?
Competitor's product and pricing policies, anticipating competitor's next move etc

Customers: What are customers want now and what they will want in future, analyzing their present need states and future desired states.

Your competitors, the how competitors affect; what we affect to your customers, competitors product and pricing policies, anticipating competitors next moves et cetera. Customers these are very important. What our customers want now and do they continue want in the same thing in future or they will want something very different in future like their present need states and the future desired states.

These are very important things that we need to study and we need to be study, we need to be aware of study in a pro-active way and based on our like strength and weaknesses like we have to understand how we can answer to these environmental changes in the environment through the different strategic planning steps that we are taking.

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Suppliers: Analyzing relationship with the suppliers, how can we form stronger and collaborative relationships with suppliers, analyzing channel conflicts?

Then, suppliers are another important thing. It analyzing the relationship with the suppliers; how we can form stronger and collaborative relationship with the suppliers and how we can do like what are the different types of conflicts in different channels and how we can avoid or overcome it.

So, to which channel are we going to source, these are different aspects of decision making that we need to take into consideration based on the changes on the other aspects of the environment also. So, the change in demands of the customers may have an impact on understanding this channel conflicts, the changing preferences of the customers may have an impact on choosing your channels also.

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So, these are again the references that we have used for this chapter and based on this, we have understood like what is the environment analysis done and what are the strategic planning and what is the importance of performance management with the strategic planning.

What we can say over here in a nut shell that it is good that we do a plan, but it is further challenging to execute that plan and without a proper environmental analysis, we cannot do a proper planning and if the performance management system is not well connected like it is very with the strategic goals of the organization, it really becomes difficult to translate the plan into executable actions and get the results which actually shows whether we our plans have translated into reality or not.

Thank you.