

# Performance Management and Strategic Planning: Where is the Link?

<sup>1</sup>Girish Kumar Painoli and <sup>2</sup>Dr. S.G.Losarwar

<sup>1</sup>Associate Professor and Head Department of Business Management, V.R.E.C, Dasnagar, Nizamabad, (A.P.). gpainoli@yahoo.co.in

<sup>2</sup>Director, Indira Institute of Management Science, Vishnupuri, Nanded, (M.S)

## **Abstract**

*Performance management involves thinking through various facets of performance, identifying critical dimensions of performance, planning, reviewing, and developing and enhancing performance and related competencies. It is simple, commonsensical and enjoyable. Performance is what is expected to be delivered by an individual or a set of individuals within a time frame. What is expected to be delivered could be stated in terms of results or effort, tasks and quality, with specification of conditions under which it is to be delivered. The most acceptable and visible as well as measurable dimension of performance is result or the output. It describes the consequence of inputs in a summary form or a final or semi-final product form or service form. It describes the standard. It is easily measurable. Performance management attempts to ensure using various interventions so that the individual delivers maximum output under the circumstances given to him. The output may include changing the circumstances or turning every circumstance to one's own advantage in order to deliver maximum output. Maximum output is a relative term. Strategic planning serves several purposes, including defining an organization's identify preparing for the future, analyzing the environment, providing focus, creating a culture of cooperation, generating new options, and serving as a guide for the daily activities of all organizational members. The main goal of strategic planning is to allocate resources in a way that provides organizations with a competitive advantage. Overall, a strategic plan serves as a blueprint that defines how the organization will allocate its resources in pursuit of its goals. The objective of this paper is to discuss the subject matter of performance management and strategic planning and find the link between them and draw the conclusions*

**Key Words:** Performance Management, Strategic Planning, Need, PM & SM Link

---

**I - INTRODUCTION:**

*A Manager is responsible for the application and performance of knowledge.*

*- PETER F. DRUCKER*

**Scenario:**

Sally is a sales manager at a large pharmaceutical company. The fiscal year will end in one week. She is overwhelmed with end-of-the year tasks, including reviewing the budget she is likely to be allocated for the following year. She receives a phone call from the human resources (HR) department. "Sally, we have not received your performance reviews for the 10 employees; they due by the end of the fiscal year. "Sally thinks, "Oh, those performance reviews... What a waste of my time! From Sally's point of view, there is no value in filling out those seemingly meaningless forms. She does not see her subordinates in action because they are in the field visiting customers most of the time. All that she knows about their performance is based on sales figures, which depend more on the products offered and geographic territory covered than the individual effort and motivation of each salesperson. And, nothing happens in terms of rewards, regardless of her ratings. These are lean time in her organization, and salary adjustments are based on seniority rather than on merit. She has less than three days to turn in her forms. What will she do? She decides to follow the path of least resistance and to please her employees she gave everyone the maximum possible rating. In this way, Sally believes the employees will be happy with their ratings and she will not have to deal with complaints or follow-up meetings. Sally fills out the forms in less than 20 minutes and gets back to her "real job."

There is something very wrong with this picture, which unfortunately happens all too frequently in many organization. Although Sally's HR department calls this process "performance management" it is not.

Performance management is a continuous process of identifying, measuring and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization.

Performance of an individual in organizational setting may therefore be defined as the output delivered by an individual in relation to a given role during a particular period of time under the set of circumstances operating at that point of time.

## **II - DIMENSIONS OF PERFORMANCE MANAGEMENT:**

- Output or result dimensions
- Input dimensions
- Time dimensions
- Focus dimension
- Quality dimensions
- Cost dimension

## **III- CONTRIBUTIONS OF PERFORMANCE MANAGEMENT SYSTEMS**

- Motivations to perform in increased.
- Self-esteem is increased.

- Managers gain insight about subordinates.
- The definitions of job and criteria are clarified.
- Self-insight and development are enhanced.
- Administrative actions are more fair and appropriate.
- Organizational goals are made clear.
- Employees become more competent.
- There is better protection from lawsuits.
- There is better and more timely differentiation between good and poor performers
- Supervisors' views of performance are communicated more clearly.
- Organizational change is facilitated.
- Motivation, commitment, and intentions to stay in the organization are enhanced.

#### **T CEOs SAY ABOUT THE CONTRIBUTION OF PERFORMANCE MANAGEMENT SYSTEMS**

A study conducted by Development Dimensions International (DDI), a global human resources consulting firm specializing in leadership and selection, found that performance management system are a key tool that organizations use to translate business strategy into business results. Specifically, performance management systems influence “financial performance, productivity product or service quality, customer satisfaction and employee job satisfaction “In addition 79% of the CEOs surveyed say that the performance management system implemented in their organizations drives the “cultural strategies that maximize human assets.

#### **IV - DISADVANTAGES OF POORLY IMPLEMENTED PM SYSTEMS**

- Increased workers turnover
- Use of false or misleading information
- Lowered self-esteem
- Wasted time and money
- Damaged relationships
- Decreased motivation to perform
- Employee job burnout and job dissatisfaction
- Increased risk of litigation
- Unjustified demands on managers and employees resources.
- Varying and unfair standards and ratings
- Emerging biases
- Unclear ratings system
- **WHAT HAPPENS WHEN PERFORMANCE MANAGEMENT IS IMPLEMENTED POORLY**

▪ *One example of poorly implemented performance management system resulted in a \$1.2 million lawsuit. A female employee was promoted several times and succeeded in the construction industry until she started working under the supervision of a new manager. She stated in her lawsuit that one she was promoted and reported to the new manager, that the boss ignored her and did not give her the same support or opportunities for training that her male colleagues received. After eight months of receiving no feedback from her manager, she was called into his office, where the manager told her that she was failing, resulting in a demotion and a \$ 20,000 reduction in her annual salary. When she won her sex-discrimination lawsuit, a jury awarded her \$ 1.2 million in emotional distress and economic damages.*

## V - STRATEGIC PLANNING:

**“Strategy is a style of thinking, a conscious and deliberate process, an intensive implementation system the science of insuring future success”.**

### Meaning:

A strategy is a technique of our manoeuvring the opponent. A planner should see the plans and policies of his competitors and then modify or readjust his plans so that he may prove the superiority of his product or service. McFarland defines a Strategy as “An executive behaviour whose purpose is to achieve success for the company or personal goals in a competitive environment, based on the actual or probable actions of others”. In the words of Koontz and O’Donnel, “Strategies denote a general programme of action and a deployment of emphasis and resources towards the attainment of comprehensive objectives”.

Therefore, a strategy is a unified, comprehensive and integrated plan that relates the strategic advantage of the firm to the challenges of the environment. it is designed to ensure that the basic objectives of the enterprise are achieved through proper execution.”

It is difficult to distinguish between policies and strategies, sometimes both are used interchangeably. A strategy is a policy in the respect that it is a broad guide to thinking but a strategy is a particular kind of policy.

Strategic planning is a process that involves describing the organization’s destination, assessing barriers that stand in the way of that destination, and selecting approaches for moving forward. The main

goal of strategic planning is to allocate resources in a way that provides organizations with a competitive advantage. Overall, a strategic plan serves as a blueprint that defines how the organization will allocate its resources in pursuit of its goals.

Strategic planning is done at top management level. The main objectives are set, strategies re devised, policies are laid down. Planning takes macro view of the business by giving consideration to economic, political and social environment. Strategic planning sets the direction in which the business will grow. It keeps in view the moves of competitors, market factors, consumer preferences, life cycle of the product, plans for expansion and diversification. Strategic plans should be prepared by keeping in view the strength and weaknesses of the enterprises in mind.

### Purposes of Strategic Planning:

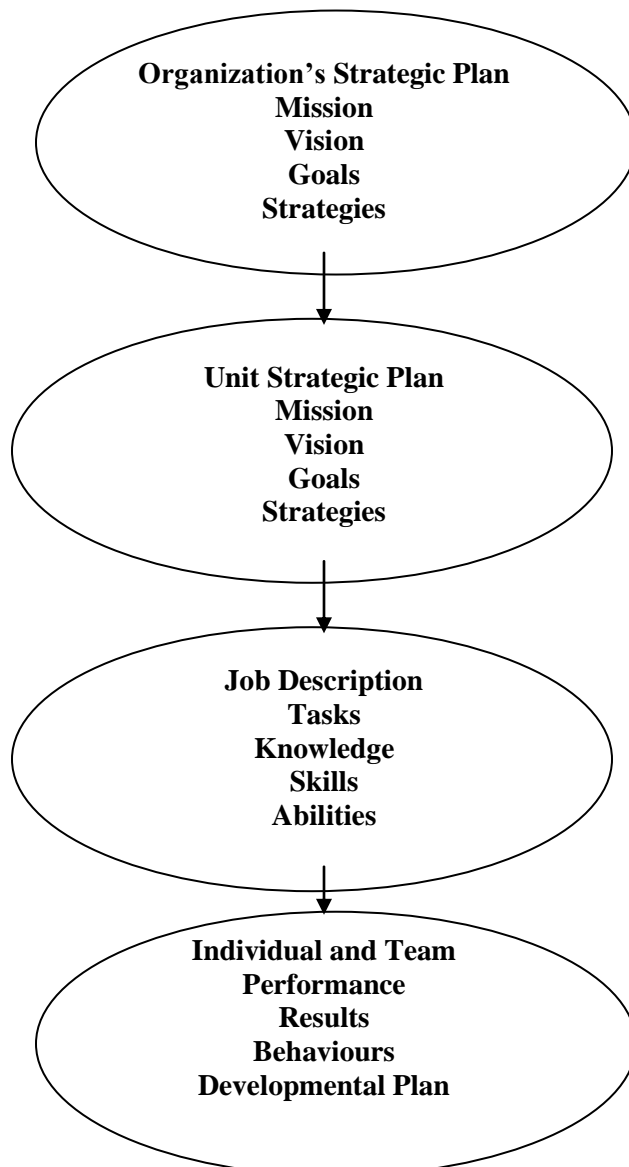
- Strategic Plan : Purposes
- Helps define the organization’s identity
- Helps organizations prepare for the future
- Enhances ability to adapt to environmental changes
- Provides focus and allows for better allocation of resources
- Produces an organizational culture of cooperation
- Allows for the consideration of new options and opportunities.
- Provides employees with information to direct daily activities.

The mere presence of a strategic plan does not guarantee that this information will be use effectively as part of the

performance management system. In facts, countless organizations spend thousands of hours creating strategic plans that lead to no tangible actions. Many organizations spend too much time and efforts crafting their mission and vision statements without undertaking any concrete follow up actions.

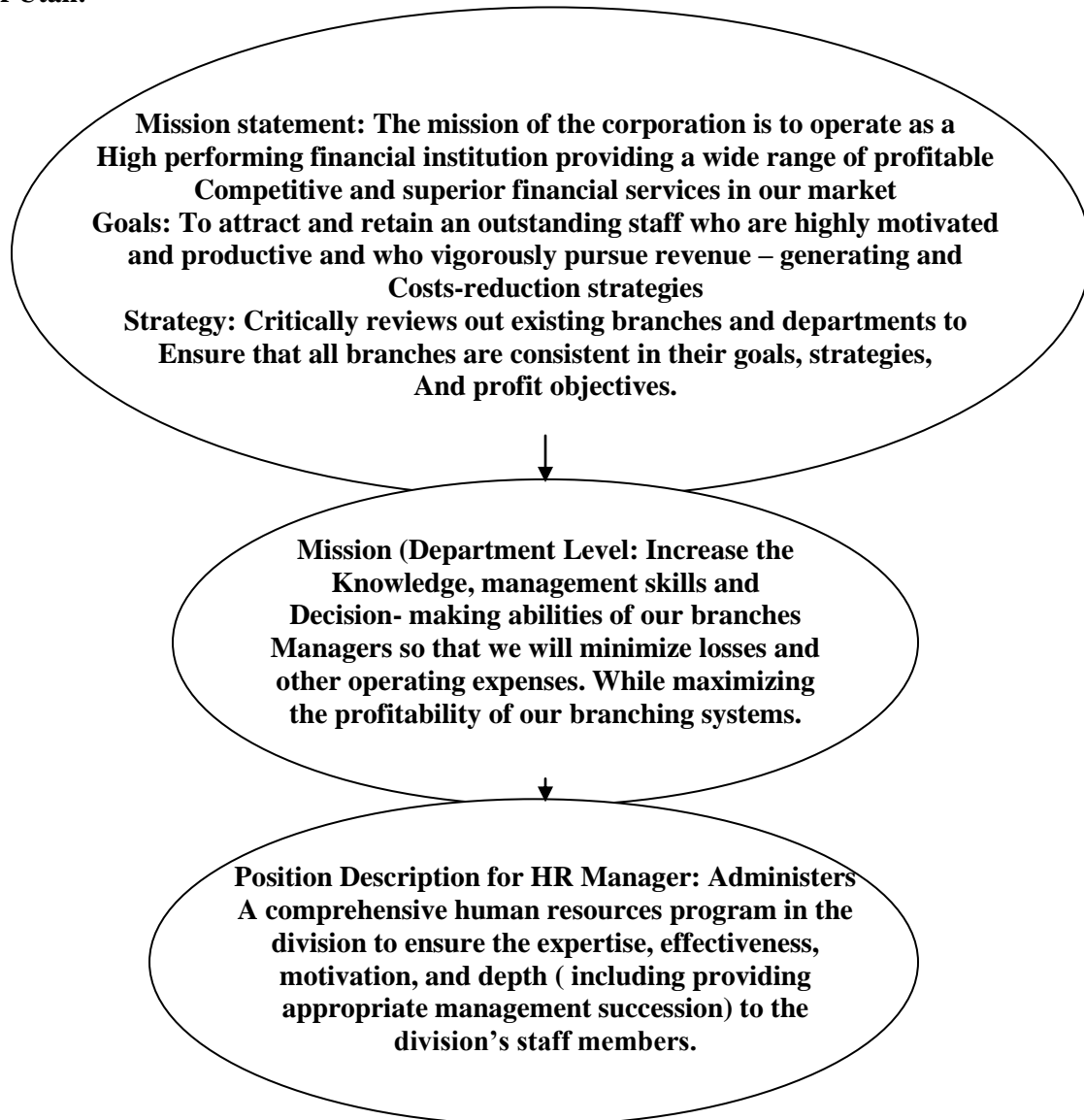
The process then ends up being a huge waste of time and a source of frustration and long lasting cynicism. Thus, to ensure that strategy cascades down the organization and leads to concrete actions, a conscious effort must be made to link the strategic plan with individual performance.

**VI - Link among Organization and Unit Strategic Plans, Job Descriptions, and individual and Team Performance:**



Source: Armstrong, M. & Baron A. (2002), Performance Management

**VII - Summary of Alignment of Performance Management and Strategic Plan at Key Bank of Utah:**





**Individual Performance: Information on various responsibilities, standards expected, goals to be reached, and actions to be taken to improve performance in the future.**

Source: Armstrong, M. & Baron A. (2002), Performance Management

### **CONCLUSION:**

A performance management system is the key factor used in determining whether an organization can manage its human resources and talent effectively. Performance management provides information on who should be trained and in what areas, which employees should be rewarded, and what type of skills are lacking at the organization or unit level. Therefore, performance management also provides information on the type of employees that should be hired. When implemented well, performance management systems provide critical information that allows organizations to make sound decisions regarding their people resources.

Strategic planning involves defining the organization's present and future identify. The overall purpose of a strategic plan is to serve as a blueprint that allows organizations to allocate resources in away that provides that organization with a competitive advantage.

Strategic planning serves several purposes, including defining an organization's identify preparing for the future, analyzing the environment, providing focus, creating a culture of cooperation,

generating new options, and serving as a guide for the daily activities of all organizational members.

Performance management systems must rely on the strategic plan to be useful. The behaviours, results, and developmental plans of all employees must be aligned with the vision, mission, goals, and strategies of the organization and unit.

The various choices in designing the performance management system are directly affected by an organization's strategic plan. Different missions and visions lead to different types of systems, for example, emphasizing behaviours (e.g., processes) as opposed to results. (e.g., outcomes)

Top management must be aware that the performance management system is a primary tool to executive an organization's strategic plan. This awareness will lead to top management's support for the system. In addition, all organizational members need to be able to answer the "What's in it for me?" question regarding the system. Implementing the performance management system will require considerable effort on the part of all

those involved. Those doing the evaluation and those being evaluated should know how the system will benefit them directly.

The most acceptable and visible as well as measurable dimension of performance is result or the output. It describes the consequence of inputs in a summary form or a final or semi-final product form or service form. It describes the standard. It is easily measurable. For example getting 95 percent is the result. Salary figures, customer numbers, financial targets, production targets, completion of tasks to meet some deadlines, etc. are all stated in result form/output form. Sometimes these are also called key result areas.

#### References:

1. Armstrong, M. & Baron A. (2002), Performance Management: The New Realities, Jaico, Mumbai.
2. Balfour, P.L., (1992), "Impact of agency-Investment in the implementation of Performance Appraisal", Public Personnel Management Journal
3. Bernadin, H.J. & R.L. Cardy, (1982), "Appraisal Accuracy-The ability and Motivation to Remember the Past," Public Personnel Management Journal.
4. Bisoux, T. (2004). Man, one business Bized.
5. Campbell,R.B. & L. M. Garfinkel, (1996), "Strategies of Success, HR Magazine, July 1998
6. Chawla, N. et al, (2002), "360 Degree Feedback and Performance Management Systems, Excel Publications, New Delhi
7. Conger, J.A. et al 1998, "Appraising Boardroom Performance," Harvard Business Review
8. DeNisi, A.S., & Kluger, A.N. (2000). Feedback effectiveness: Can 360-degree appraisals be improved? Academy of Management Executive.
9. Edwards, M.R. et al, (1996), "360 Degree Feedback: the Powerful New Model for Employee Assessment and performance Improvement," AMACOM, American Management Association.
10. FMI Corporation (2000, November 15) using performance reviews to improve employee retention: Contractor's business management report, 2, Denver, CO
11. Fandray, D. (2001, May). Managing performance the Merrill Lynch way. Workforce:<http://www.workforce.com/archive/feature/22/28/68/223512.php>
12. Goodson,J.R & G.W. McGee,(1992), "Enhancing Individual Perception of Objectivity in Performance Appraisals," Journal of Business Research
13. Halachmi, A. (2005). Performance measurement is only one way of managing performance. International Journal of Productivity and Performance Management.
14. Holland K. (2006, September 10) "Performance reviews: Many need improvement", The New York Times, Section 3, Column 1 Money and Business Financial Desk.
15. Hyde, A.C. & M.A.Smith, (1982), "Performance Appraisal and Training: Objectives, a Model for



- Change and a Note of Rebuttal”,  
Public Personnel Management  
Journal
16. Kulkarni, S.S., et al, (1980), “A Nationwide Survey of bank Employees Opinion Regarding Personnel Policies and Practices,” Working Paper, NIBM, Mumbai
  17. Lorian, R. 1993, “Self Appraisals and Perceptions of Appraisal Discussion- A Field Experience”, National productivity Review
  18. Rao T.V., (2010), “Performance Management and appraisal systems”, SAGE Publications Inc.
  19. Rao T.V., & Rao. R, (2003), “360 Degree Feedback and Performance Management Systems”, Excel Publication, New Delhi.
  20. Rao T.V., (2001), “Performance Planning and Review Skills Book”, TVRLS, Ahmedabad.
  21. Rao T.V., & U.Pareek, (1996), “Redesigning Performance Appraisal Systems”, TMGH, New Delhi
  22. Sumlin, R. (2007), “Performance management: Impacts and trends”. DDI white paper.