

# Chapter 3

# Performance Management and Strategic Planning

# Overview

- Definition and Purposes of Strategic Planning
- Linking Performance Management to the Strategic Plan
  - Strategic Planning
  - Developing Strategic Plans at the Unit Level
  - Job Descriptions
  - Individual and Team Performance
- Building Support

# Strategic Planning: Definition

## ■ Process

- Describe the organization's destination
- Assess barriers
- Select approaches for moving forward

# Strategic Planning: Goal

- Allocate resources to provide the organization with competitive advantage

# Strategic Planning: Purposes

- ✓ Help define the organization's identity
- ✓ Help the organization prepare for the future
- ✓ Enhance the ability to adapt to environmental change
- ✓ Provide focus and allow for better allocation of resources

# Strategic Planning: Purposes (Continued)

- ✓ Produce an organizational culture of cooperation
- ✓ Allow for the consideration of new options and opportunities
- ✓ Provide employees with information to direct daily activities

# Strategic Planning : Overview

1. Environmental Analysis
2. Mission
3. Vision
4. Goals
5. Strategies

# Environmental Analysis

Identifies external and internal trends

- To understand broad industry issues
- To make decisions using “big picture” context



# External Trends

- Opportunities:
  - Environmental characteristics that can help the organization succeed
- Threats:
  - Environmental characteristics that can prevent the organization from being successful

# External Trends— Factors to Consider

- Economic
- Political/Legal
- Social
- Technological
- Competitors
- Customers
- Suppliers

# Internal Trends

- Strengths:

- Internal characteristics that the organization can use for its advantage

- Weaknesses:

- Internal characteristics that can hinder the success of the organization

# Internal Trends— Factors to Consider

- Organizational structure
- Organizational culture
- Politics
- Processes
- Size

# Gap Analysis

Analyzes:

External environment  
(opportunities and threats)

*vis-à-vis*

Internal environment  
(strengths and weaknesses)

# Gap Analysis Determines:

- Opportunity + Strength = **Leverage**
- Opportunity + Weakness = **Constraint**
- Threat + Strength = **Vulnerability**
- Threat + Weakness = **Problem**

# Strategic Planning for the Organization

Environmental and Gap Analyses provide information for organizations to decide:

- Who they are
- What they do

# Mission

A good mission statement answers:

- ✓ Why does the organization exist?
- ✓ What is the scope of the organization's activities?
- ✓ Who are the customers served?
- ✓ What are the products or services offered?



# Mission Statement contains:

Information on an organization's

- Basic product/service to be offered
- Primary market/customer groups
- Unique benefits and advantages of product/services
- Technology to be used
- Concern for survival through growth and profitability

# Mission Statement May Contain:

Information on an organization's values and beliefs

- Managerial philosophy
- Public image sought by organization
- Self-concept of business adopted by
  - Employees
  - Stockholders

# Vision

- Statement of future aspirations
- Focuses attention on what is important
- Provides context for evaluating
  - Opportunities
  - Threats

# A Good Vision Statement: Eight Characteristics

1. Brief
2. Verifiable
3. Bound by a Timeline
4. Current

# A Good Vision Statement: Eight Characteristics (Continued)

5. Focused
6. Understandable
7. Inspiring
8. A stretch

# Purposes for Setting Goals

- Formalize expected achievements
- Provide motivation
- Provide tangible targets
- Provide the basis for good decisions
- Provide the basis for performance measurement

# Strategies

- Create strategies, game plans or “How to” procedures to address issues of:
  - Growth
  - Survival
  - Turnaround
  - Stability
  - Innovation
  - Leadership

# How the HR Function Contributes:

- Communicate knowledge of strategic plan
- Provide knowledge of KSAs needed for strategy implementation
- Propose reward systems



# Strategic Plans at the Unit Level

- Every **Unit** mission statement, vision statement, goals, and strategies

**Must clearly align with  
and be congruent with**

- the **Organization's** mission statement, vision statement, goals, and strategies

# Alignment of Strategic Plan with Performance

**Organization's Strategic Plan**  
Mission, Vision, Goals, Strategies

**Unit's Strategic Plan**  
Mission, Vision, Goals, Strategies

**Critical to involve all  
levels of  
management**

**Critical to involve all  
employees**

**Job Description**  
Tasks, KSAs

**Individual and Team Performance**  
Results, Behaviors, Developmental Plan

# Strategic Consensus

- Definition: The state in which various organizational units agree on a common set of strategic priorities
  - Predicts firm performance

# Two Ways to Achieve Strategic Consensus

- Strategies → Goals

VS.

- Goals → Strategies

- Strategies → Goals better predicts firm performance

# Job Descriptions

- Tasks and KSAs are congruent with Organization and Unit strategic plans.
- Activities described support mission and vision of Organization and Unit.

# Individual and Team Performance

Organization and Unit mission, vision, goals lead to:

- Performance management system, which:
  - ✓ Motivates employees
  - ✓ Aligns development plans with organization priorities

# Strategic Plan →

## Six Choices in PM System Design

1. Criteria (Behavior vs. Results)
2. Participation (Low vs. High)
3. Temporal Dimension (Short Term vs. Long Term)

# Strategic Plan →

## Six Choices in PM System Design (Continued)

4. Level of Criteria (Individual vs. Team/Group)
5. System Orientation (Developmental vs. Administrative)
6. Rewards (Pay for Performance vs. Tenure/Position)




# Building Support— Answering “What’s in It for Me?”

- For top management support:
  - Emphasize that PM helps carry out an organization’s vision
- For support from all levels:
  - Clearly communicate nature and consequences of PM
  - Involve employees in the process of PM design and implementation

# Quick Review

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