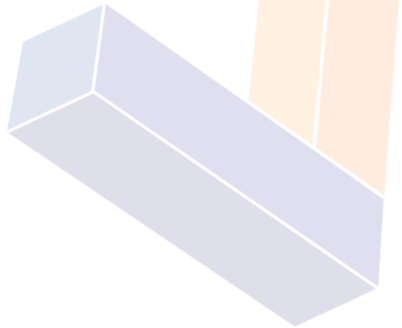
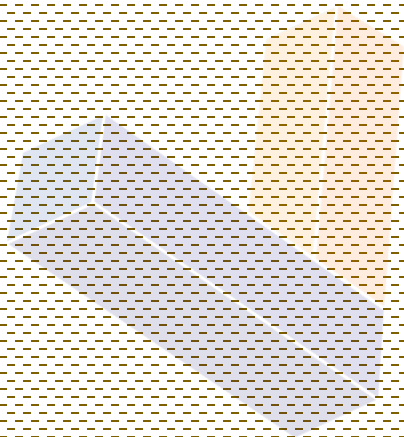


Chapter 03: Section 01 and 2

Introduction to performance management

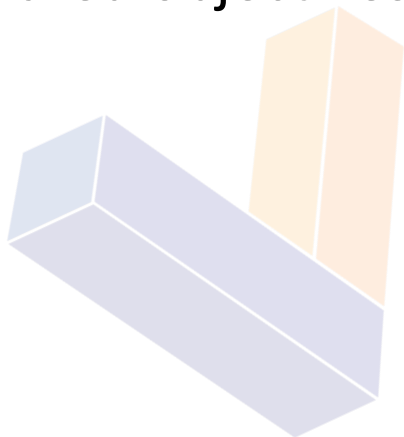


Section 01: financial and non-financial performance measures



1. Features of effective performance management system

1. **System Architecture:** measurement, alignment, feedback, and stakeholder engagement
2. **Strategic Alignment**
3. **Measurement Effectiveness:** selecting balanced portfolio of performance indicators. (Financial and non financial, lagging and leading)
4. **Organisational Coherence:** unite different departments and functions around shared objectives



2. SMART Features of Objectives

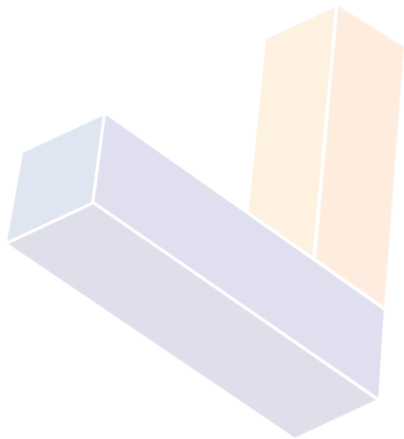
1. Specific
2. Measurable
3. Achievable
4. Relevant
5. Time-bound

- **Specific:** The focus will be on reducing fabric wastage costs.
- **Measurable:** The current fabric wastage cost is Rs. 500,000 per month. The goal is to reduce this by 10%.
- **Achievable:** A 10% reduction is considered challenging but possible with new cutting process controls.
- **Relevant:** Reducing costs directly contributes to BlueGem Textiles' overall profitability goal.
- **Time-bound:** The target should be achieved by the end of the next quarter (Q3).

3. Distinguishing KPI from standard matrix

A metric measures an activity; a KPI measures performance against a CSF. For example, a logistics company pursuing a strategy of Operational Excellence would identify 'Punctual and Accurate Delivery' as a CSF.

- Metric: Total number of deliveries made.
- KPI: On-time, in-full delivery rate (target: 98.5%)

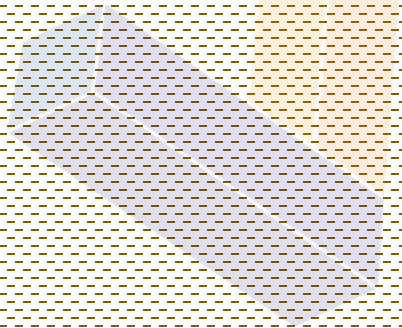


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3. Building a balance kpi portfolio

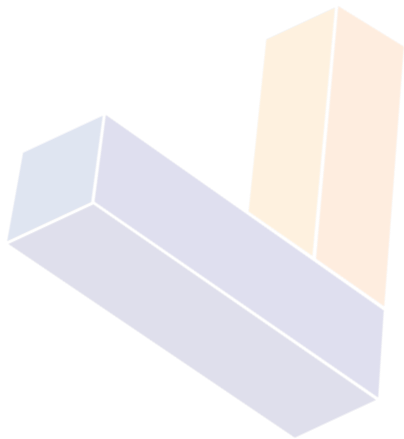
- Strategy: Cost Leadership (e.g., a budget airline)
 - CSF: Asset Utilisation.
 - KPI: Aircraft turnaround time (target: < 25 minutes).
- Strategy: Customer Intimacy (e.g., a luxury hotel)
 - CSF: Personalised Guest Experience.
 - KPI: Percentage of repeat guests (target: 60%).
- Strategy: Product Innovation (e.g., a tech company)
 - CSF: Speed to Market.
 - KPI: Average time from concept to launch (target: < 9 months).

Section 02: Balanced Scorecard as a Performance Management Technique

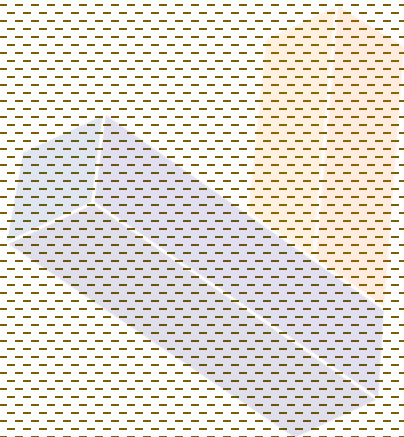


1. Balanced Scorecard

- **The Financial Perspective:** Examines the ultimate measures of shareholder value and financial outcomes.
- **The Customer Perspective:** Assesses the value proposition delivered to target markets and customer satisfaction.
- **The Internal Business Process Perspective:** Identifies the critical operational processes that deliver customer value.
- **The Learning and Growth Perspective:** Evaluates the foundational capabilities, skills, and systems that enable all other performance.

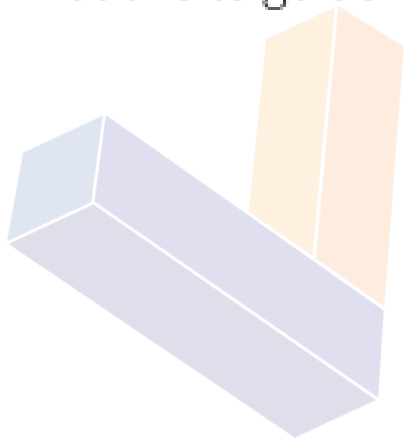


Section 03: Performance Management Techniques, Linkages and Performance Improvement role



1. Types of benchmarking

- **Internal Benchmarking:** Comparing performance between departments or divisions within the same organization to identify and share existing best practices.
- **Operational and Generic Benchmarking:** Examining specific processes against best-in-class organizations regardless of their industry to enable cross-sector learning.
- **Competitive Benchmarking:** Directly comparing performance against key market rivals to assess competitive position and identify performance gaps.
- **Strategic Benchmarking:** Analysing the business models and high-level strategies of world-class organizations to guide major organizational transformation.



1. Types of benchmarking

Benefits and Limitations of Internal Benchmarking		
Dimension	Benefits (Pros)	Limitations (Cons)
High Data Availability	Data is readily accessible and definitions can be standardised, ensuring valid comparisons.	Internally Focused: Can lead to complacency if the best internal practice is still below the industry average.
Low Cost and Complexity	Relatively inexpensive and quick to implement compared to external methods.	Limited Innovation: Unlikely to lead to breakthrough improvements as it relies on existing knowledge.
Fosters Collaboration	Encourages knowledge sharing and breaks down internal silos.	Risk of Stagnation: May perpetuate inefficient, industry-wide practices without external challenge.
Easy Implementation	Findings are often easier to implement as they come from within the same organisational culture.	Internal Politics: Comparisons can create friction or unhealthy competition between departments.
Table 3.1.1: Benefits and Limitations of Internal Benchmarking		

1. Types of benchmarking

Benefits and Limitations of Operational Benchmarking		
Dimension	Benefits (Pros)	Limitations (Cons)
High Potential for Innovation	Introduces new ideas and challenges the "we've always done it this way" mindset.	Difficulty in Transferability: Practices from different industries may be difficult to adapt to a new context.
Avoids Competitive Issues	Partners are non-competitors, making them more willing to share detailed information.	Finding Partners: Identifying and securing cooperation from suitable best-in-class organisations can be challenging.
Overcomes Industry Myopia	Provides solutions to problems that an entire industry may be overlooking.	Resource Intensive: Requires significant effort to research partners, abstract principles, and manage adaptation.
Focuses on Process Excellence	Targets specific operational areas for significant, measurable improvement.	Risk of Poor Comparison: Comparing dissimilar processes ("apples and oranges") can lead to flawed conclusions.
Table 3.1.3: Benefits and Limitations of Operational Benchmarking		

1. Types of benchmarking

Benefits and Limitations of Competitive Benchmarking		
Dimension	Benefits (Pros)	Limitations (Cons)
Provides Market Context	Directly answers the question "Are we better or worse than our rivals?"	Data Acquisition Challenges: Competitor data is often confidential, incomplete, or difficult to obtain reliably.
Identifies Competitive Gaps	Clearly highlights areas of strategic strength and weakness relative to the market.	Risk of "Copycat" Strategy: Can lead to a reactive focus on matching competitors rather than innovating.
Sets Realistic Targets	Helps establish performance targets that are relevant to the competitive environment.	Ethical and Legal Issues: Data gathering must be conducted carefully to avoid illegal or unethical practices.
Informs Strategic Positioning	Provides essential data for decisions on pricing, product development, and market strategy.	Can Be Expensive: Purchasing third-party market research and competitive intelligence reports can be costly.
Table 3.1.4: Benefits and Limitations of Competitive Benchmarking		

1. Types of benchmarking

Benefits and Limitations of Strategic Benchmarking

Dimension	Benefits (Pros)	Limitations (Cons)
Transformative Potential	Can lead to fundamental business model innovation and new sources of competitive advantage.	Most Expensive and Complex: Requires significant investment in time, resources, and senior management attention.
Strategic Orientation	Proactive and forward-looking; helps organisations anticipate and adapt to future market disruptions.	Highly Conceptual: Insights are high-level principles that are difficult to translate into concrete actions.
Organisational Impact	Challenges core assumptions and forces a fundamental rethink of the organisation's strategy and value proposition.	Long Time Horizon: The benefits of strategic transformation may take years to be fully realised.
Strategic Breadth	Broadens strategic options by introducing successful models from outside the industry's conventional wisdom.	High Risk of Failure: Implementing fundamental business model changes is inherently risky and complex.
Table 3.1.6: Benefits and Limitations of Strategic Benchmarking		