Editorial

After a considerable media blaze over as to who is going to be the new occupant of the Raisina Hills for the next five years, the political dust now seems to have settled. His Excellency, Mr. Pranab Mukherjee now having been ensconced for the top job of the country, it's time to turn attention to flagging economy that is badly in need of some deft handling. The last few weeks have witnessed a spate of events - whilst some are reasons to rejoice, others bring despair and dejection. After being fence sitters for nearly three months, overseas investors are back in action with total investment by FII's in the Indian market is estimated to touch the $ 10 billion mark in the calendar year 2012 and just as everybody thought that markets are in for a rally, weak global cues saw the markets plummeting - mainly triggered by fear that Spain might seek an international bailout and that Greece might not fulfill its bailout commitments. The rupee slide continues unabated and as if these are not enough, the specter of drought and another round of recession in the global economy loom large. On the face of all these adverse developments, the international rating agencies are not likely to pour sweet melodies into our ear about the performance of the Indian economy.

Let us for the time being concentrate on the present issue which is themed upon 'performance management' — which has been an object of long and difficult quest throughout the history. The question is how we define performance? Early in the twentieth century F.W. Taylor had made his performance management experiment — the famous works study and motion study-at the Bethlehem Steel Plant, to change the ways managers ran their company. The 1920s saw the beginning of the quality control era. W. Edwards Deming, Joseph M Juran, Philip B Crosby and A Shewhart had offered quality management philosophy from which Japan had reaped hefty dividends. Compared to that, Eastman Kodak, the company founded by George Eastman, and a leader in the photo-imaging industry, has gone bankrupt early in this year. Kodak had a healthy cash flow, it was a leader in the conventional photo-imaging industry; it had all the ingredients of a great company, yet it failed to see its hazy future. It is said that the engineers of the company had successfully invented digital camera in 1972, but as the management was obsessed with its current cash flows from the conventional photo equipment division, it failed to see the prospect of a digital camera. Kodak thus had dug its own grave in 1972 by refusing to accept what was part of its core competency.

Indeed, Peter Drucker had advised the managers long ago to judge performance of their organization through four sets of diagnostic information: Foundation information, productivity information, competence information and resource allocation information. Cash flows, liquidity and similar information are like the blood pressure, weight and pulse rate, and do not tell much when they are normal. But we need information on total factor productivity for which EVA and similar projections may come handy. But we also need analysis on the core competencies of the organization, for which Norton and Kaplan have devised their famous balanced scorecard methodologies.

We understand that performance management is a dynamic science that needs to take care of all the four diagnostic information. As with all the past editions of the journal, we expect our eminent contributors will enlighten our readers with the latest information in the area of performance management. Happy reading!