

# Re-designing Performance Management Process: An innovative process change for enhancing performance

Baburaj V Nair

Chief Mentor, P2B Consulting, Cochin, Kerala, India

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**ABSTRACT:** This paper is about the need to rewire the performance management processes in current business environment. The world around us is looking forward to enhanced performance (which is nothing but action with an aim). However, performance is a result of internal as well as external factors. Internally, individuals seldom get motivated to excel or enhance their performance either because of the working environment or due to the processes, within the organisation. The pandemic times makes it imperative for each organisation to re-look at this process in a more definitive terms, than just tinkering with the existing process of performance

management processes or benchmarking with other companies. This paper provides a framework to rewire the existing system and make it a performance enhancement process and help organisations to design a more relevant, and realistic process. The paper is written based on the author's 30 years of work in academic institutions, corporate, and extensive literature review on the subject. Not many papers are available to explain this process change in a transformative manner and most of the papers /books on the subject is written on how to improve the current performance management processes and provides insights into various elements of Performance Management System.

**KEYWORDS:** Performance, Productivity, Goal Setting, Purposeful organization, Leveraging technology, Performance enhancement.

## I. INTRODUCTION

**Black swan**<sup>1</sup> concept is known to most of us as a metaphor that describes an event that comes as a surprise, creating a major impact, beyond the realm of normal expectations in history, science, finance, and technology, which cannot be addressed in a planned manner.

When it happens, we need to find out how to manage the show, and pre-planning becomes difficult. It is an occurrence of "unplanned, low probability high impact events". COVID-19 environment is like a Black Swan, and the magnitude of impact is unpredictable. In this context the concept of resilience should get more attention. The chaos and systems theories taught that small changes can have big effects, which was translated in business terms into the concept of

'leverage': the idea that "small, well focused actions

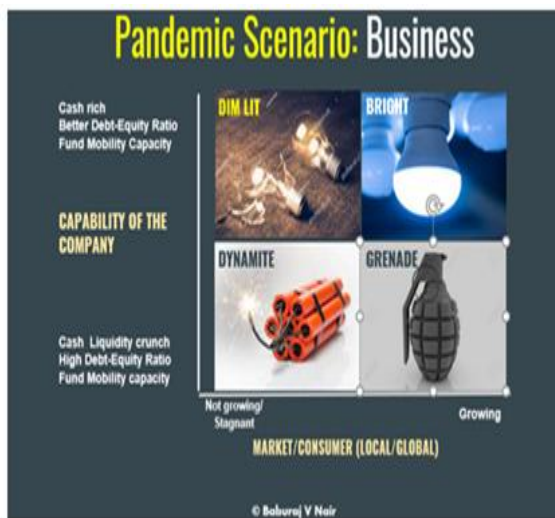
can sometimes produce significant, enduring improvements". Therefore, the current chaotic environment also provides an opportunity to rewire/revamp the existing systems and process to meet the dynamic challenges.

We can visualise four different business scenario: An interplay between **capability of the company** (in terms of its cash position, its ability to mobilize fund from various sources, without increasing cost of servicing the debt, the debt-equity ratio etc.) and the **growth/stagnant position of market / consumer (local/global or product/services)**.

Normally, we have an optimistic /aspirational outlook on our growth plans (even in adverse situations!). If we plan for non-pragmatic budgeting process, we shall end up in a more severe situation than we normally do, in current context.

<sup>1</sup> The concept of Black Swan was penned by Nassim Taleb (a Lebanese-American essayist, scholar, statistician, and former option trader and risk analyst, whose work concerns problems of randomness, probability, and uncertainty) in his book *The Black Swan: The Impact of the Highly Improbable* (2007).

The below given diagram is self-explanatory. Different organisations can fit themselves into one of the quadrants and take conscientious decisions on the business and its stake holders. Each organisation has a different identity: culture, market position, financial position, competition, structure, beliefs, values etc. Therefore, it is imperative for each organisation to review their current status—can use the four-quadrant method to define what is required to be done.



Drawing lessons from multiple disciplines, interdependency on the business ecosystem, and building a culture of experimentation: fostering diversity in people, relationships, ideas/approaches are imperative to create an open working environment which can address unexpected problems and provide imaginative solutions.

Many started waking up, albeit very slow.

**Two of the major challenges during such a situation are: People and their productivity**

Therefore, companies across the world is reviewing their most critical people process: **Performance Management systems (PMS)**, even before this pandemic time.

As many of these organizations repeatedly found that their existing PMS is not helping neither the organization nor employees, they have decided to redesign the process. However, these changes have happened in technology sector than other manufacturing or other major service organisations (with a few large global business houses as an

exception). **88%** of the U.S. companies and two-thirds of UK companies, surveyed are planning to rethink their PMS.

The key stake holders of the company – the employees – have clearly voiced their concern on the impact of the process. What employees are saying on the current PMS?

- ✓ **45%** did not see value in PMS they used
- ✓ **58%** of HR executives considered reviews an ineffective use of supervisors' time
- ✓ Employees hated numerical scores: They would rather be told they were "average" than given a 3 on a 5-point scale.
- ✓ More than half the executives questioned (58%) believe that their current performance management approach drives neither employee engagement nor high performance.
- ✓ Employees detested forced ranking.
- ✓ Performance declined when people were rated relative to others. Nor did the ratings seem accurate.
- ✓ A Global study indicates that around **80-85%** cite "service effectiveness" and "building HR capability" as a transformation driver as compared to "Efficiency - HR Cost" - the traditional hallmark of the HR function.
- ✓ **52%** of HR leaders believe they are major contributors in shaping a company's culture, whereas only **23%** of corporate leaders see their HR departments playing a crucial role in coming up with a corporate strategy that would have significant impact on operating results.

Hence, it is very clear that if the existing process is not redesigned with a focus on enhancing performance than just managing the process, it will not add value to the business and will result into a ritual without any accountability at any level.

## II. WHAT CONSTITUTES A PMS?

**Performance Management** is a process of tracking and monitoring the performance of employees, departments, and the organization through establishing clear performance expectations.

The following 5 steps can be broadly considered as current performance management system with a

few companies doing better than others in these 5 steps and adding a few more variables like quarterly and half yearly review.

- STEP 1 : Sets up KPIs & Goals: expected to be aligned to the goals of organization
- STEP 2 : HR invites employees to write about their accomplishments and what they need to improve in a format – automated or otherwise
- STEP 3 : The Reporting Manager assesses employees’ work; offers feedback; rate their performance on a scale of how well they met expectations.
- STEP 4 : The Reviewer reviews the report; confirms/adds his/her perspectives
- STEP 5 : The rating gets moderated at functional / organisational level and links it to decisions on increment, promotions, quality of performance

Let’s understand various terms usually used while running a PMS. Mostly, these terms are presumed to have understood clearly, and a study in various organisations by the author, during the last 10 years, indicates that these terms are not understood or defined clearly and more importantly not applied keeping the real definition in mind.

It has been observed in many instances that while setting the goals, the loose application of understanding of these terms resulted into poor quality of goal setting, and the outcome was always mediocre.

Therefore, the first aspect of re-wiring the performance management process is to **reset the mind by understanding these terms while doing the appraisal and expectation setting.**

**Objective:** A thing aimed at or sought

**Goal:** An aim

**Key Performance Objectives**

Major measurable values linking with achievement of business objectives

**Target**

An objective/ result towards which efforts are directed.

**UoM (Unit of Measurement)**

Provides a reference point

**Weightage**

The value/importance of something, when compared with another thing

**Purpose**

The reason for which something is done or created or for which something exists.

**Performance**

Action with a desired outcome. Whether it happens as desired is not sure while setting the goals.

**Management**

It pre-supposes existing managing /controlling existing process, and it is static in nature.

**Excellence**

Is a process, and a journey. When we indicate that an individual is excellent, it means his work is distinguishable and can be differentiated from others or his/her own earlier work.

**Development**

Is a continuous process and dynamic in nature. For example, growth is dynamic in nature, Growth per say indicates an improvement over yesterday or earlier set standards/norms

**Enhancement**

Is a synergistic process with a degree of shift from earlier level. In an organisational context, performance enhancement cannot happen, without a synergistic interplay between functional goals aligning with the overall business purpose.

An individual’s quest to move beyond natural limits is known factor for years. There is an element of positivity and negativity in the process. Therefore, how do we direct employees towards a positive ownership on the desired outcome is the most critical aspect of building a “Performance Enhancement Process”(PEP) which is absent in the current Performance Management process.

Further, more and more positions require employees with deeper expertise, more independent judgment, and better problem-solving skills. They are shouldering ever-greater responsibilities in their interactions with customers and business partners and creating value in ways that industrial-era performance-management systems struggle to identify.

**III. HOW DO WE DIFFERENTIATE BETWEEN PMS & PEP?**

**Performance Enhancement is an outcome focused, dynamic, future oriented process differentiator, clearly implying contextual/ process dependent consequences, owned by employees.**

The below diagram clearly provides an insight into The shifts between PMS & PES

PE - Shifts		
Focus	Internal	External
Approach	Top-down	Purpose & functional
Ownership	Superior	Individual
Process	Assessment	Evaluation
Cycle	PDCA - Periodic	ADDRESS - continuously
Scope	Company-wide	Critically impacting roles
Structure	One size fits all	Based on uniqueness
Linked to	Compensation	No link to compensation

One of the major aspects of this shift is delinking the performance review process with compensation, which many organizations are struggling with. This can be designed, especially in the current context, if we take a long-term perspective and a focused review of the entire people process.

Another major shift is in the cycle of Performance review: PDCA – Plan, Do, Check, Act – is a normal process of any review. This needs to be shifted to an “ADDRESS” model: Assess (each function differently, cannot have “one-size-fit-all” perspective), Define (identify gaps, and redefine if required), Deploy (Re-design, and deploy effectively i.e. its cycle, nature of review, periodicity, performance dialogue etc.), Review, (at functional level to see whether it is having the right impact or not and be flexible to redesign if required), Evaluate (at Company level), Standardise (business need specific, make the design in such a way that an uniform broad framework can be standardised and within which enough flexibility is developed as frequent shifting of the broad framework will not help enhancing the business) and Synergise (align with the purpose of the function/business/organisation as a whole).

In current world, there are two aspects,

which will define the success of your organization: **Key/Critical people & Leveraging Technology** (The quality of key/critical people and their sense of ownership with the company will define its growth and sustainability in a highly dynamic environment)

**Performance enhancement process aims to:**

**The key elements of performance enhancement processes are:**

**a) Context Setting in a dynamic environment**  
 Whether pandemic or not, the environment around you is influenced by many aspects, and until and unless we are continuously sensitive to this, we shall not be able to build an enhancement process.

**b) Purposeful**  
 Though it seems to be a simple process, effective time and efforts by all stake holders need to be spent to create this.

**c) Employee Centric**  
 Focus on employee and build the process. Hence, employees – based on the type of role/contribution/function, to be treated as internal value customers.

**d) Futuristic Process oriented**  
 Instead of looking the current needs, the process needs to focus on building what is expected from employees, tomorrow and focus on their development.

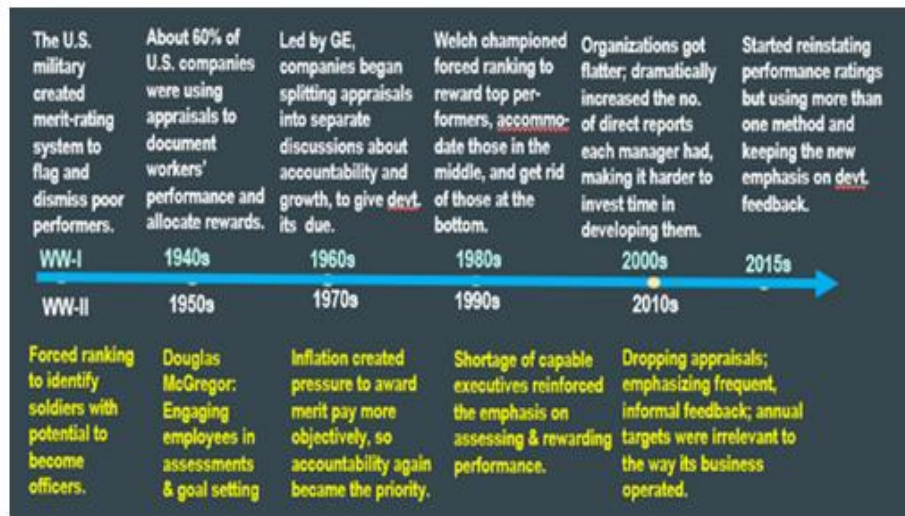
**e) Symmetric & Asymmetric**  
 The process cannot be a “one size fits all”. It has to be custom-tailored.

**f) Outcome with a differentiator**  
 Excellence can happen only when there is an opportunity to differentiate and communicate. Enhancement across the company can happen only when a synergetic shift happens in the culture.

**A Case for redefining current performance reviewing process**

Last 100 years, we have seen many elements of evolution of PMS. The below diagram depicts the journey. Reviewing this diagram can provide an insight that external business environment defined most of the internal process changes:





**Should we rewire the existing performance management systems? Answer: Yes / No**

- a. My organisation has multiple business units, and the impact cycle of business is different for some of them.
- b. I have done a dip-stick survey to find out whether the current processes are fair, transparent and helping employees contribute better and the survey results indicated huge scope for improvement.
- c. I believe that my organisation’s future will depend on the external, dynamic business environment.
- d. The business units have different types of workforce – from Baby Boomers to Millennium to Generation Connect
- e. The business outcome of some of the functions of my organisation are not visible within a year
- f. The quality of goals, measures, weightage, documentation, and dialogue clearly desires to improve in my current PMS
- g. The current PMS has many key performance indicators, having little focus on clear performance enhancement matrices.
- h. I believe that senior leadership should be made more accountable for their deliverables, and specific feedback need to be given to them.
- i. I believe that the current performance appraisal processes are not helping to reinforce desired behaviours for building a sustainable future ready organisation among employees -across the level – top to bottom.

- j. Periodic feedback from majority of employees on the PMS is not very positive.

**If your answer to 4 out of the above 10 are YES, it is time to rewire the entire performance appraisal process.**

However, we should not make any changes in the current PMS process, if:

- Status quo is accepted, and employees are happy
- Change readiness index is average
- Business is not complex, and growing
- Benevolent/paternalistic leadership
- Uninspiring leadership – family or otherwise

Process changes without any purpose will only result into disengaged workforce, sub-optimal performance, and huge dissatisfaction in the role. Real transformation happens, when different minds collaborate with a purpose.

However, it is the right time to re-define, if reorganization:

- Has a progressive leadership
- Appreciates that the dynamic business reality makes it imperative to change.
- Has a felt urgency to change
- Desires to build a pragmatic, realistic performance enhancement culture
- Feels that the current PMS restricts creativity, collaboration, and innovation
- Believes that “One size does not fit all”

#### IV. HOW TO REDESIGN THE PERFORMANCE REVIEW SYSTEM TO BUILD PERFORMANCE ENHANCEMENT?

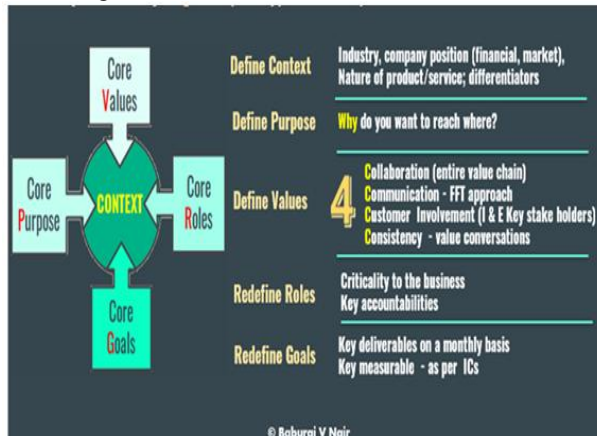
##### USE “CPVRG” Model

###### Step 1:

**Define business context and understand the purpose of the organisation and its functions.**

Prof. Dave Ulrich in one of his seminal study very clearly indicates the interplay between purpose and processes, and how it shapes the performance culture.

Therefore, without defining purpose, and aligning it with various functions and values, it would not be possible to build a sustainable performance enhancing culture.



**While building values, focus on “4 Cs”.**

- **Collaboration** – define the entire value chain and see what needs to be built and how?
- **Communication** – Use “FFT” – **Firm, Fair, and Transparent** – approach. Consistency of this is critical for sustainability. All senior leadership needs to be trained and made accountable for this approach.
- **Customer sensitivity:** Need to constantly focus on internal and external customers and their needs.
- **Conversation** – Value and consistency of dialogue is critical for its success.

###### Step 2:

**Understand the 3 key elements of performance – Efficiency, Effectiveness, and Impact - and rework**

**on each role of key and critical stake holders.**

Redefine key deliverables and measures with a focus on “EEI” – Efficiency, Effectiveness, and Impact.

- **Efficiency:** The relationship among resources that the **function** uses, and the processes and practices it creates. It forms a foundation for the function’s credibility
- **Effectiveness:** The relationship between **function’s** programs and its effect on its customers. It provides tangible evidence of results at the program level
- **Impact:** The relationship between the effects of the **function’s** programs and the pivotal elements of business success. It provides a view of where results have their greatest effect

###### Step 3:

**Leveraging Technology:**

Using a framework of “ACCURATE”

Globally, 81% companies are focusing on implementing IT platforms to enhance employees’ experience. After reviewing many tools available for enabling people process, a framework has been developed to take an appropriate decision on leveraging technology.

If we are not leveraging, appropriate technology, organizations cannot sustain. Different organizations are evolving at various stages. The faster they master to build processes to leverage technology, the better it would be.

Administrative	:	Capturing general data of the employee
Compatibility	:	Inter-linkages with different types of systems
Cost Sensitivity	:	Current vs future. Explore unseen cost.
User Experience	:	Entire life cycle is easily available for the user
Reporting process	:	Diversity possibility, besides customized reports
Assessment process	:	Module based; review cycle, review templates
Technical upgradation	:	Based on new technology changes or the need
Easiness	:	Simple, easy to manoeuvre/customise

## V. CONCLUSION:

Some of the broad bottlenecks for initiating this change process are:

- Reluctance to change by the key stakeholders due to lack of competency to manage change: Status quo skills versus new skills required, and the fear of role redundancy – due to new value additions required – within the timelines of the business /organizational context.
- Not being able to leverage of technology, effectively in a dynamic context.
- Unclear economic benefits, i.e. ineffective cost-benefit analysis of investment on process/system changes.
- Not being able to innovatively think through the existing regulatory framework to take a decision on non-performance.

A comprehensive review of the bottlenecks is imperative to build an effective performance enhancement process.

Further, an effective performance enhancement processes have four dialogue stages:

- At the Goal setting stage: How does this process help deliver what is expected out of the role? In this both the individual and superior are key players, with the ownership with the individual.
- At the Appraisal stage: How can the superior help enhance the individual's performance. Here the onus is on the superior to take the initiative.
- At Development stage: seriousness on development. What is development is defined and communicated clearly to all. The development has a focus on future skills required to build a sustainable business and not just improvement of current skillset only. However, the degree of change required would vary from key and critical stake holders with other stake holders.
- At Consequent Management stage: Here, the decisions on succession planning, career growth planning, Performance Improvement Plan for average performers etc. are taken and fair and transparent process at this stage is critical to ensure that the purpose for which the Performance Enhancement Process is set on are met: i.e making individual's to own up the process of their development to ensure sustainable growth for the company.

In the ever-changing external environment only a pro-active, innovative approach is required to redesign the process and build a futuristic organisation.

The organisations need to challenge the status-quo, leverage technology, consistently focus on internal and external customers, assimilate knowledge (through appropriate analysis of data to information and consistently applying in diverse contexts to create contextually relevant knowledge), and synergise the overall purpose of the company with internal processes and systems to sustain business in future – be it in pandemic time or not.

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