Strategic Performance Management Prof. K. B. L. Srivastava Department of Humanities and Social Sciences Indian Institute of Technology, Kharagpur

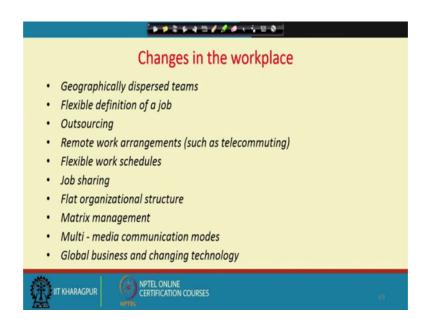
Lecture – 40 Future of Performance Management

Ok; so, welcome come back to this last lecture of this strategic performance session. And you remember, we discussed about a lot of things related to performance management starting with the process the systems then what needs to be done how this system is going to be executed and implemented, how the rating would be done, how we are using different kind of methods and framework why this need to build a culture of performance, how technology has been used in performance management system right and what companies are doing.

So, based on this analysis we are going to look into some of the things or issues which is related to the future of performance management ok. So how performance management will take shape in organizations in days to come right. So, the idea here is to identify some of the trends and the kind of changes that is going to happen in the performance management system. So, far as future is concerned and when we are going to talk about performance management of the future it does not mean that we are not going to see that what is happening right now ok.

So, we also look into the trend that what is happening today and how this trend is going to impact and shape the performance management system of the future right. So, when we are going to discuss this performance management and its future to start with we have to see that what are the changes that is happening around in and around especially at the workplace or also in the environment also among the workers because they are those who are they are going to evaluate it.

(Refer Slide Time: 01:50)



Now, if you look at the some of the changes which is happening and which are going to have its impact on the performance management system right. Now if you look at some of these changes which are happening globally is visible in most of the companies like ah; earlier you used to have one workplace where everybody used to work, but now you are going to have workspaces, workplaces which are geographically distributed ok. And people are going to work in different knocks and corners of the work ok.

So, a company might be having head quarter in one place, but its implies may be distributed across the world geographically. So, whether they are working individually and teams right; so, if that is there then what can how it is going to impact performance management system ok. Now if you look at that the definition of the job itself it is changing right; because you are not going to have fixed job description so, far right. What is going to be defined only your capabilities your competencies right and then it it would be seen that how your capability is going to match with the job or the task that would be given by you to the organization ok.

So, there could be processes around which you will be placed and you it will be seen that which flow in which process you could be gainfully employed ok. So, instead of having fixed job descriptions; you are going to have identified processes, work processes and you will be associated with the different work processes depending upon your capabilities right. So, when you are going to be centered around processes not jobs then

this is going to create a big problem for organizations that how to evaluate your performance because you are not going to do a fixed job in a given time at a given space right.

Then most of the jobs are going to be outsourced today right including lot of hr activities. Maybe if the performance management system if it is automated; it would be outsourced to an external vendor who is going to take care of your outsourcing sorry this performance management activities. And they are going to monitor your performance electronically hence and they are going to evaluate it without any human touch or human orientation right.

Similarly, those who are telecommuting have a flexible work arrangements, they are working in a different place or working at home and then they are working for the companies. So, how are you going to measure their performance because we are not observing their performance as such at the given space right. Similarly people are working in different kind of schedules due to other constraints right; somebody is working in the morning shifts, somebody is working in the evening shifts ok, somebody is working while commuting. So, there could be different kind of work schedules that we have and these work schedules give more autonomy and freedom to the employees.

So, that they can decide in which period and time they want to work; while this is giving more freedom and autonomy and it is convenient to the employees it is creating problems for managing and evaluating the performance of the employees; how are you going to do it? For example, job sharing where the same job is being shared between two employees; then how are you going to measure the performance that who has and what because there is a fixed job description right.

Now, most of the companies are moving from flatter structure to what you call a tallest structure to what you call a flatter structure ok. So, when you are moving to a flatter structure what is happening? You are reducing the number of levels in the hierarchy ok. So, more and more people are going to work at the same level. So, you are not going to have a immediate supervisor who is going to evaluate to the employees right. So, you are even changing their performance appraisal method because you are not going to see that it is going to be evaluated by your supervisor maybe your (Refer Time: 05:45) are going to evaluating only you may not be having your subordinates also ok.

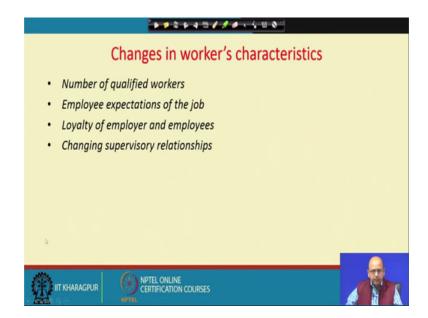
In most of the horizontal organizations especially, this might be a big problem that how are you going to evaluate problems where they are only one or two level or three levels of employees right. Then matrix management matrix management where you are a having two different bosses right because if you look at matrix structure what happens ok. In the matrix structure you have a functional authority and you also have a authority related to your product or division or group. So, both are going to be your superiors. So, who is going to evaluate our performance, on what account they are going to evaluate on the your performance right?

So, these are the some of the problems. So, these are the some of the changes which is happening at the workplace and accordingly you need to see that what kind of performance management system is going to be in the future. Because they are going to impact the way performance is measured, monitored, planned, tracked and evaluated right. Then multimedia communication modes you are using more than one media to communicate and you are meeting less face to face compared to electronically mediated communication right plus the businesses are moving globally and then the lot of changes is happening in technology.

So, technical changes is also influencing the way performance is being measured and monitored. Now the reason that why I am talking about these changes in the workplace because these changes are going to influence the way the performance is going to be planned, measured, managed and evaluated. And then certain decisions that is taken on the basis of the performance management system; so, this calls for a different connotation so, far as performance management system is concerned. How we are going to evaluate the performance who are geographically distributed who does not have a fixed job where they do not have a fixed base to work right.

But they are have no subordinates or seniors or whether reporting to do different bosses right. So, these are the these are these changes are going to create a lot of problems also for a performance management system especially for HR that how they are going to device and develop a performance management system which would be appropriate in these contexts. So, that is going to was a big challenge for performance management system in organizations.

(Refer Slide Time: 08:16)



Apart from the changes that is happening at the workplace another important changes that is happening in the employees right. Now you will find that today we are going to have more qualified workers in terms of experience, knowledge, skill. So, now, you are going to have more professionally qualified workers the need and expectations from the job is also changed ok. Earlier you they used to work for something now they are going to work for some they need something and that is why they want to work ok.

So, the needs and expectations have been changed similarly if you look at the loyalty of the employers and the employees that is also a change ok. This loyalty and commitment is no more there either among the employees or the employers it is more a contract based arrangement where you are working for a company depending upon their requirement and meeting your needs and expectations.

The day you understand that your needs and expectation are not made by the contract you leave it or the way; even the employees see that if you are not following the contract base management they may ask you to leave right. So, the question of loyalty in commitment is no more the question of the job security is no more right; if you have those skills which go for employability then you will get a job otherwise you will not get a job right. And when the relationship with the supervisors are changing with cultural differentiation was negotiated; you create a relationship which is a much better you try to

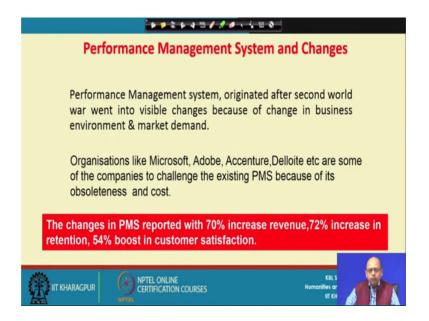
go for a better bonding between that employer and the employees or the supervisors and the subordinates.

So, the relationship is more based on the relationship which is built on trust and faith. Earlier what is used to happen the relationship was based on power right that is I am the boss and you are my subordinate, but that kind of system is changing right. So, these kind of changes are also happening at the workplace. So, do you think that these kind of a changes in the characteristics of the worker is going to influence the performance management system?

Yes because now we are going to develop and design a performance management system which takes care of these factors; otherwise if you are going to design a system in a traditional way which does not take care of the changes which is happening at the workplace or the characteristics of the workers or the kind of workers that you have probably your system will not be very very effective and if we fail right.

So, some of the assumptions that we had in the past are no longer working because there has been a paradigm shift. So, far as the workplace is concerned the technology is concerned the culture is concerned and the people is concerned right and that is why these changes are going to influence the performance management system.

(Refer Slide Time: 11:02)



Now, if you look at some of the data why you are going to have a performance management system right? If you remember in the previous lecture I said that India is giving a lot of importance to performance management system right because they take lot of decisions based on the performance data of the employees ok.

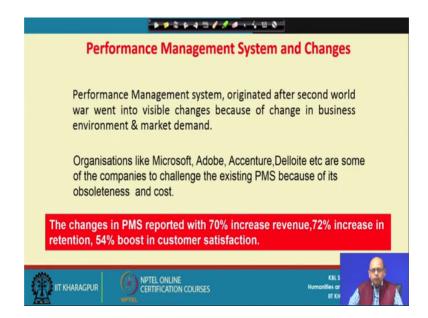
And your incentives, your performance is linked your a reward your performance is linked ok, but not many companies are using it for other purpose the other HR thing like success and planning, retaining employees ok. So, if you look at the data its. So, when the worldwide data says that yes you are trying to manage performance.

So, that your revenue increases it means that you are more concerned with the finances than non finances right; you want to retain people you want to see that people or your customers are happy satisfied and that is why you want to have a performance management system right. And that is where you will find that lot of changes are happening in the performance management system not only in India, but across the across the globe right.

And it is being influenced by the environment and the market both; there are lot of examples of various companies which are changing their performance management system ok. Because the existing performance management system has not been effective it is in terms of cost it is become outdated obsolete and then no longer basically you being used to serve the purpose ok. So, it means that they are not serving the purpose for which they have been made ok.

So, and as I told you that most of these companies have or trying to do away with annual performance management system ok, they are moving from a immediate supervisors appraisal to self appraisal or many of the companies are going for continuous review and feedback right. So, these are these kind of changes are happening and the way we discussed about the changes that is happening at the workplace you will find that many companies are trying to make sure that their performance system is serving the purpose for which it is made right.

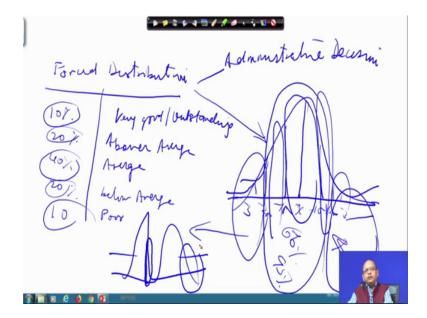
So, lot of changes are happening in the performance management system because it is the requirement of the business and the environment. (Refer Slide Time: 13:24)



Now, one significant change that has happened in organization is not only in India, but across the globe and many Indian companies have also moved away is basically the bell curve. Now you look and look at this bell curve what does it mean? It means bell curves suggest a normal distribution curve right; now when we are talking about a normal distribution curve what happens? Now, if you look at this normal distribution curve you will find that most of the employees at least 60 to 70 percent employees are have considered as average performers right.

Now, most of the companies which have been using this force distribution method right; they find that it is not very effective right. The idea of using this forced distribution and forcing people to be a part of particular curve is being done away with right. Now let me explain this a little more to its to see that how this system works.

(Refer Slide Time: 14:33)



So, when we are talking about a force distribution it is like putting people into different categories say 10 percent 20 percent 20 percent and 10 percent. And we try to put them into different categories like poor, below average, average, a simple example that I am giving above average and what you can say very good or we may call it outstanding.

Now, what is happening and you have this bell curve is something like this is the average plus minus 1 sigma plus 2 sigma plus 3 right; you have minus 1 minus 2 minus 3 this is the bell curve ok. Now in forced distribution system what happens? Let you try to put these forty percent people into this category average performance ok; this 10 percent will go here this 20 percent will be here then this 20 percent is when you put in here and then the rest will be here ok. Now the idea of using this force distribution and putting them into this normal distribution curve was to not only rank employees in terms of their performance, but since you are taking certain administrative decisions based on this ranking right.

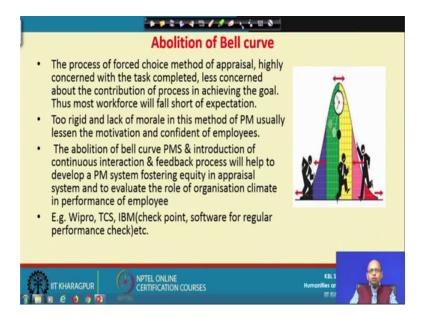
So, when we are going to take certain administrative decision based on this force distribution; we are using this bell curve right, but the problem with this bell curve is that most of the people especially 66 percent people are being considered an average right; only 2 percent will be considered and above all outstanding. And 99 per 95 percent people would be considered who are going to be in flaw fall between the air ok. So, only

four percent people lies outside this boundary who are either performing very poorly or very good.

The intention of the companies was to promote only this set up people only 4 percent of people who are having an outstanding results. Not necessary that trades and attributes on which a performance is evaluated or a group of people are being evaluated the symbols with the normal distribution curve and this creates a problem suppose the curve is not normal. So, the curve is something like this or it is asymmetrical in this side ok. So, if it is negative or positive side then what happens? Is still you are going to rate this person who is not going very well and out very good and if everybody has performed very well, but still you identify some people who are going to perform very well.

So, this has created a problem and that is why most of the companies have thought of doing away with this bell curve of a force distribution method right. So, that you can objectively assess and evaluate performance of the employees and give them their due it means that you can rate them as per actuals were not forcing them to be a part of the distribution which may not do justice with their performance right and that is why we have moved away to this what you call bell curve.

(Refer Slide Time: 18:52)

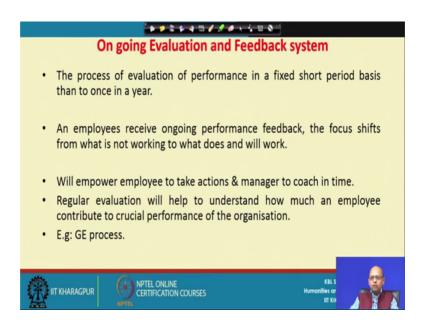


So, this bell curve is being abolished now right and that is why the most of the companies will find that they have done away with this kind of system right.

So, when you are moving away from the bell curve what actually you are going you are trying to adopt a system which is based on continuous evaluation and feedback ok. Many IT companies and when manifests facturing sector especially big some of the big companies like NTPC, ONGC, TCS, Infosys IBM; Now, what they are doing that they are going for a regular performance evaluation; continuous performance evaluation ok. So, they have done two things they have not going for annual performance appraisal that has been done away with and they are moving away to more continuous feedback processes that is what we call continuous review and feedback system ok.

So, continuously your performance is being reviewed and evaluated and based on that certain decisions could be taken up right and you also try to develop a culture which facilitates effective performance right. So, these are the new developments which is happening and it is good for the organizations because in that case you are able to justify your ratings when you are going to take certain decisions.

(Refer Slide Time: 20:13)



Now, when we are going to talk about ongoing feedback and evolution system the idea is that you are not going to limit yourself to annual appraisal system, but you are moving away from annual appraisal system to continuous review and feedback system ok.

So, maybe it could be weekly it could be monthly right. So, or it could be on a regular basis and that is where you can even use technology to track and monitor the performance right. Earlier what used to happen that you use to evaluate the performance

at the most an annual basis and in some cases you are going for I by annual if it is required so, right. And then you are giving feedback at the in the basis a regular performance evaluation period at the performance cycle is complete.

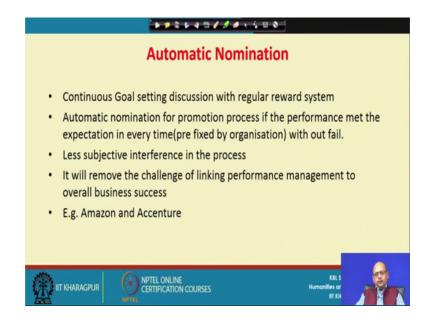
So, if that is; so, what happens? If you are giving feedback at the end of the evaluation period; the people will not be able to improve or correct his performance to reach the performance target, but if you are going to adopt a system of continuous evaluation and feedback; then in that case you are providing an apology to the employees to correct and take certain necessary actions which is required to improve each performance right. So, the focus has changed from what is not working that what will work. So, you see that what needs to be done in order to see that your performance improves ok.

In the process you are also trying to provide greater in a autonomy in control to the employees. So, that they can see that what is happening and we are also coach manage to see that how they can help employees to improve their performance. Remember we talked about coaching and performance improvement that what is the role of employees and managers in the process right.

And if you are going for regular evaluation what happens? Employees also understand what they are doing, how will they are progressing whether they will be able to achieve the performance level or not right and many companies have gone for this kind of continuous evaluation system.

So, they have done away with two things was distribution and annual appraisal system; these are the major changes which has happened in the future and we cannot need to do be a part of the performance appraisal system.

(Refer Slide Time: 22:31)



Another significant change that is happening is what you call atomic nomination and this happens only when you are going to see that you follow a merit based criteria for evaluation ok. It means when you are moving away from annual appraisal to continuous feedback system a review and feedback system; it means that you continually look at your goals, discuss with your supervisor what needs to be done and it is also linked with the reward directly it is linked with the reward.

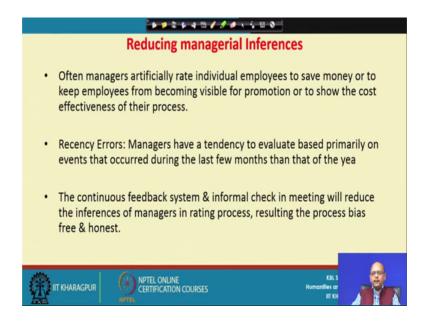
So, you do not need to do anything; it means you are trying to see that there is less and less interference in the process by the management. So, the kind of subjectivity that might crop in because of errors in the rating is removed to a larger extent ok. So, a fixed set of goals and a criteria; it is being monitored well on a regular basis and if we achieve them then automatically you get your due. So, that to administrative decision that is taken on the basis of this is error free, it is more transparent and objective in nature right and that is the objective of this kind of system ok.

So, if you are using an up continuous performance evaluation system then it is always good and if you are going to link into technology then it is much better right. And here you are trying to see that all kind of subjective biases, rating errors, whether it is intentional or unintentional is removed in the process right and many companies are going for this kind of nominations with subjective element are reduced to the minimum right.

Like Amazon and Accenture they have gone for this kind of system by using technology with the kind monitor and track the performance on a regular basis and whatever happens in terms of reward and other things is automatic; you do not need to do anything or the supervisors have minimum interference in the process right.

So, this is one significant trend that is happening related to the future.

(Refer Slide Time: 24:38)

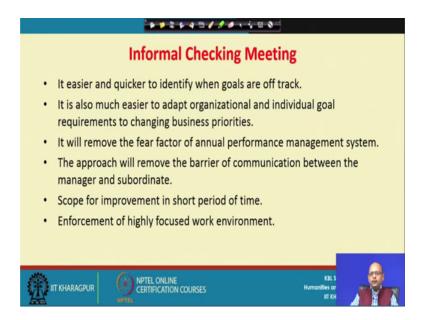


Then this basically leads to what you call less managerial interference right and this is where we are talking about removing subjectivity biases and errors from the process. Because many a times employees complain about this kind of thing that they have not been rated properly, there are a lot of errors in the ratings supervisors the bias supervise the rating is concerned and if that happens it is going to lead to certain problems especially related to the reward and this might also result in certain legal issues. Because if you are going to discriminate and you are not fair in just in your reward based on performance then it might invite certain legal problems as well right.

So, in order to reduce these kind of things you are making use of technology you are going for continuous feedback a regular evaluations right doing away with well curve right and not evaluating performance only based on their recent performance right. So, when we are going for these kind of systems and with more formal checks informal chase a continuous feedback and review.

So, it results in less interference in the rating less error from the supervisors because the system become more robust in terms of its objectivity transparency and transparency. So, the rating is more bias free and much honest and this will help to develop a more effective performance management system by the organization right.

(Refer Slide Time: 26:17)



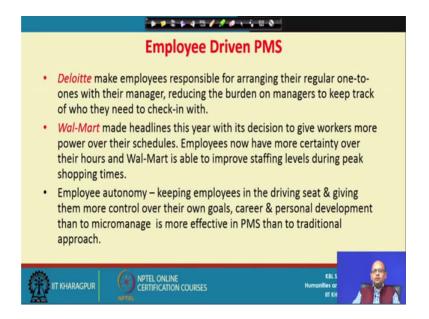
Then informal cheeks checking meeting that also happens because here you can identify what are the goals that employees are supposed to receive and whether they are on the track or not right.

So, the role of the supervisor series to see that how on each criteria employees are progressing on a regular basis right. So, you are not afraid about the annual performance where at the end of that the at the end of the day or performance cycle what will happen, but since we are being regularly monitored, evaluated for your progress. So, these kind of problems will not be happen and then supervisors or regularly interacting with you.

So, you feel more comfortable in a sense that you know what is happening, what are the problems you are facing you then you communicate with the supervisors these are the problems that need to be removed to see that I am able to perform well and that also provides a scope for improving taking certain corrective actions if there is a problem right.

And that creates enable the culture and environment where the focus is on the task and supervisor facilitates this kind of process and that is why this informal checking meeting is very very powerful thing.

(Refer Slide Time: 27:28)



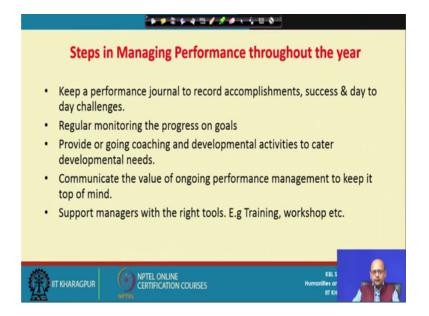
Now, here two examples have been taken to see that how performance managed system is going to be driven by the employees not by the managers right. The examples of Deloitte and the Wal-Mart suggests that yes it is employees who are going to arrange the regular meetings with the managers right because managers are going to keep track of a number of employees.

So, you go and tell what you have done these are the criteria against which you have done well these are the criterions which you have not done well. So, you go for checkings and see what whatever interaction happens with the manager you are able to make use of those relations to take certain corrective actions right and in the process of giving more autonomy and control to the employees. So, basically it is relative decentralizing the process; let employee be in the control of the things, let them decide what to do how to do let them be a party to the goal setting and decide what needs to be done in order to achieve the stated performance levels right.

And if that happens probably it and you are able to create a better culture in the organization this is going to help in a big way ok. So, basically we are moving from what you call a paradigm shift is from control to autonomy; where supervisors used to have a

lot of control now, employees are being delegated authority and autonomy are being empowered to see that how they can achieve the goals related to the organization, their own performance, their own career and professional development right. So, the we that is how we are moving from the traditional approach to performance management system.

(Refer Slide Time: 29:09)



So, when it comes to a managing performance on a continuous basis you you are not only just a keeping a record, but you see that what is happening on a regular basis. You regularly monitor the progress and goals you provide coaching and developmental activities to see what is happening and you also communicate the value of flowing performance management system.

Because you see you say that if you are not going to perform the organization is going to suffer right or we are going to suffer right. So, you also tell the value of the performance management system and also communicate why managing performance is important at all level right.

And you make sure their supervisors are trained in such a way; so, that they do not go a they do not make any error and they are using certain tools to see that how it can be done right. So, you need to adapt certain steps to manage continuous performance systems right.

(Refer Slide Time: 29:57)

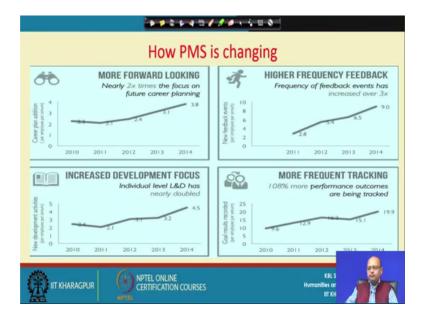


And these are the benefits better engagement with the employees, they will be able to identify their development needs, they will be more satisfied you will be able to retain employees with the organization right.

A more effective strategic organizational development you can think what kind of things that need to be done to see and plan about the development of the organization. It is better interaction because you continuously relate yourself with and communicate with the employees on a regular basis and this is going to help you to identify the best action plan that you can have for achieving your performance targets right. And if we adopt this kind of process you have more regular interaction communication feedback on a continuous basis, this leads to a sense of belongingness implies feel that they are part of the organization.

And this also leads to as a result higher productivity then you are in a better position to utilize resources in the best possible manner right. So, these are some of the possible benefits of the performance management system. So, what we have been talking about is the major trend that has emerged out of this is this.

(Refer Slide Time: 30:59)

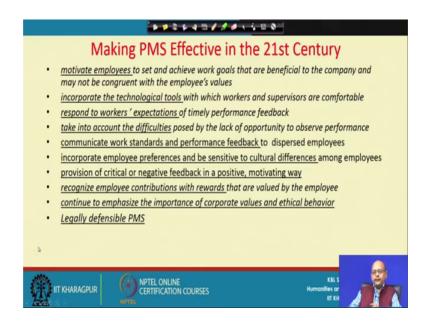


That is more forward looking means that you try to link it with career as much as possible this is survey data for company for a number of companies.

So, you find that from 2002 to the 10 to 2014 the focus is on more on future planning career planning especially then high frequency feedback that is what I have been talking about it means the number of times a feedback has been given it has improved at least three times ok. It means if you take even a month a start with three times we will giving feedback; now you will give at least 9 times feedback right. So, more feedback linking it with the carrier plan right focus on the development that is learning and development at the individual level that has increased and better monitoring frequent tracking of a performance.

So, these are the four major trades that have been identified based on whatever you have discussed. So, far and it is important to see that how it is going to say take shape.

(Refer Slide Time: 32:04)



And finally, we have to see that what needs to be done in order to see that we develop an effective performance management system. So, the first is that you need to motivate employees to see that how they achieve goals not only set I assume, but also set their goals ok. And they need to understand that how they are going to contribute to the company performance and make sure that is the better alignment between goals and values of their own goals and values and the companies goals.

Use technology to the extent possible, make sure that you are comfortable in using technology, meet their workers of expectations provide them timely feedback ok, see what kind of problems they are facing what are the opportunities that they have right. And see that what you need to do in order to see that you are able to remove those difficulties continuously they communicate the standards.

So, give them feedback was geographically distributed employees right look at their preferences and be sensitive to cultural differences because you remember we talked about the role of culture and performance management. So, it is very very important to develop a performance driven culture, be sensitive to their regional and national culture because that is going to be very important its influencing in their performance right

If you need to give a negative feedback or you want to be critical be that, but make sure that it is given a more positive and motivating way the idea is not to demoralize the de motivate people, but to make them understand what is wrong with them and then what needs to be done in order to correct it right. Link reward with performance recognize see what kind of reward is going to be motivating which is valued by the employees.

For example, you are giving financial reward, but they want more non financial rewards or you are giving fund non financial rewards they want financial rewards. Make sure that it it is satisfied intrinsically or extrinsically depending upon what they are looking forward to right, develop a culture and value, make them ethical in their behavior right and finally, make sure that the you develop a legally defensive performance management system through that you are able to justify whatever you are going right.

So, with this we are going to close this session and this course on strategic performance management. And I hope that when you go through this course and the video you will find it more interesting, motivating and you will be able to understand that how this course is going to help you to develop your and plan your own performance and see that how you can see that your performance is going to help to achieve the goals and objectives of the organization, their performance and also how you can better plan about your career and future because everything is dependent on the performance.

So, ultimately I wish you good luck and hope that you will have an enriching learning experience from this course and.

Thank you very much.