DESIGNING PERFORMANCE ENHANCING PROCESSES

Dovetailing to build sustainable growth

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Companies across the world is reviewing their most critical people process: Performance Management systems.

As many of these organizations repeatedly found that the current processes/systems are not helping neither the organization nor employees. The key stakeholders of the company – the employees – have clearly voiced their concern on the impact of the process.

- **How to help organisation to design a performance enhancing people process?**

- **How does it different from current processes?**

**Does this necessitate refocusing on the processes? Yes.**

**Should we do it now or later?**

More than half the executives questioned (58%) believe that their current performance management approach drives neither employee engagement nor high performance.

*Source: 2015: Public survey by Deloitte*

**The delay will have its own consequences.**
Broadly, what constitutes a PMS?

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.

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

Customer’s Voice

- **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.

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

Sources: Wills Towers Watson study, Social Science Research study, Deloitte, Wharton’s Iwan Barankay, PWC
How does Performance Enhancement differ from current Performance Management Systems?

The difference lies in “purpose - why it exists?”

The more narrowly you define it, the lessor impact it will have.
Performance Management is a process of tracking and monitoring the performance of employees, departments, and the organization through establishing clear performance expectations.

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 and PES.

<table>
<thead>
<tr>
<th>PE - Shifts</th>
<th>Internal</th>
<th>External</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus</td>
<td>Top-down</td>
<td>Purpose &amp; functional</td>
</tr>
<tr>
<td>Approach</td>
<td>Superior</td>
<td>Individual</td>
</tr>
<tr>
<td>Ownership</td>
<td>Assessment</td>
<td>Evaluation</td>
</tr>
<tr>
<td>Process</td>
<td>PDCA - Periodic</td>
<td>ADDRESS - continuously</td>
</tr>
<tr>
<td>Cycle</td>
<td>Company-wide</td>
<td>Critically impacting roles</td>
</tr>
<tr>
<td>Scope</td>
<td>One size fits all</td>
<td>Based on uniqueness</td>
</tr>
<tr>
<td>Structure</td>
<td>Compensation</td>
<td>No link to compensation</td>
</tr>
</tbody>
</table>

One of the major aspects of this shift is delinking the performance review process with compensation.

We can re-design the compensation to make it happen.
Performance enhancement process aim to:

- Improve performance by setting clear expectations about what employee success looks like—Build a process of purposeful dialogue
- Provide clarity around the behaviours and competencies used to achieve goals
- Offer coaching, feedback and development required to support employees to achieve their goals, and growth
- Align personal objectives with the goals of the Organization

The key elements of performance enhancement processes are:

- **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.

- **Purposeful**
  Though it will seem to be a simple process, effective time and efforts by all stakeholders need to be spent to create this.

- **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.

- **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.

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

- **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.

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*

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 people and technology, the better it would be.
Should we rewire the existing performance management systems?

**Answer: Yes / No**

1. My organisation has multiple business units, and the impact cycle of business is different for some of them.

2. 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.

3. I believe that my organisation’s future will depend on the external, dynamic business environment.

4. The business units have different types of workforce – from Baby Boomers to Millennium to Generation Connect.

5. The business outcome of some of the functions of my organisation are not visible within a year.

6. The quality of goals, measures, weightage, documentation, and dialogue clearly desires to improve in my current PMS.

7. The current PMS has many key performance indicators, having little focus on clear performance enhancement matrices.

8. I believe that senior leadership should be made more accountable for their deliverables, and specific feedback need to be given to them.

9. 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.

10. 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, do not make any change, 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

The future shall decide the way forward.

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 the organization:**

- 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
Why it is difficult to build a performance enhancing culture?

A comprehensive review of the bottlenecks given in the diagram needs to be done to build an effective performance enhancement process.

But, over emphasize on regulatory issues and our unwillingness to collaborate with other functions become major obstacles in building a performance enhancement culture.

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:
Leverage Technology: Be” ACCURATE”

Globally, 81% companies are focusing on implementing IT platforms to enhance employees’ experience.

The check list above could be very handy, when you select an appropriate IT tool for performance enhancement.

This paper was written after a Master Class Training program (on-line) was conducted with the help of CII, Kerala Chapter on 17th July, 2020, which was well attended and appreciated. It was written with an aim to help participants to get a easy reference point, and bring a new perspective to larger audience.
How P2B Consulting can add value?

With vast experience—cutting across industries—it can partner with organizations to build a new performance enhancement process—end to end.

**Purpose: P2B Consulting**

- To help organizations to build actionable knowledge in the field of people processes with a focus on business outcomes.

- To help management institutions to re-wire its curriculum to align with the external environment.

**Services: P2B Consulting**

- People Process Automation
- People Governance
- Performance Enhancement process
- Building Future People: Corporates/Management Institutes.

To know more about P2B Consulting and its team, visit: [www.soulsearchhr.com](http://www.soulsearchhr.com)

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