



**PERFORMANCE MANAGEMENT FOR
NEW AGE ORGANIZATIONS**



Introduction

People have lost faith on the traditional pay-for-performance programs, HR driven performance appraisals and performance management in general. It is one of the relics of the past era that is surviving in many organizations, only because there is no alternative paradigm in place.

The first part of this e-book, will examine what business leaders, HR experts and practitioners are saying about the state of performance management in the current millennium.

The second part will introduce you to some new paradigms of looking at people and their relationship with organizations. We will look at perspectives from leadership gurus, thought leaders and on-the-ground practitioners.

The third and final part will provide you with a road map on how you could transform your organization from “where it is” to “where you want it to be”.

Part 1 The State of Performance Management

1.1 Gartner1 (Excerpts from this report)

..Many organizations find that their existing pay-for-performance process doesn't work well. It doesn't improve performance, and demotivates employees.

..Many organizations do not believe they have a good pay-for-performance process. In fact, many find these programs do not increase performance.

..Many employees find traditional performance reviews unfair and demotivating.

..Many managers and executives are not good at providing employees with high-quality, consistent and timely performance feedback.

..Social recognition programs help improve employee motivation and performance, while decreasing reliance solely on manager and executive feedback.

..Organizations will start to change their emphasis from top-down-driven, pay-for-performance programs to more bottom-up feedback, recognition and rewards.

..Most organizations have focused on automating existing documents and forms. Although some value has been delivered, in many respects, these solutions have just automated flaws that existed in paper-based approaches...

..Leading organizations will start to shift away from top-down, individually focused, pay for performance to more bottom-up feedback, recognition and rewards. In addition, parts of traditional talent management activities will effectively become crowd-sourced.

1.2 K Ramkumar Executive Director of ICICI Bank (a large Private Sector Bank) 2 (Excerpts from his article)

Human resource professionals have lost sight of the connect with their people, because of their obsession with high sounding concepts, processes and metrics.

..I have in the last decade watched with horror the decadence of our thinking, from engaging and relating to people to managing human resources.

..Intervention through medicines and surgery is when illness has gone beyond self-healing. Human body may respond to this but people at workplace respond better to on-going self-healing, because unlike humans, a workplace illness is an epidemic due to the numbers.

To further this argument let me place before you evidence: our obsession with performance management. We have progressed from the absurd to the insane.

We believe that the system and process of budgeting, goal and metrics, will replace the trust and engagement-intensive process between the performer and the boss who enables it.

The argument again is not that goals and metrics are unimportant, but they cannot replace the human process of working with and showing people the way to achieve them. Here again, the clinical mind-set over emphasizes the impersonal aspect of engagement viz tools, MIS and numbers.

We try to make up for this by eulogizing the term 'feedback'.

But do we realize the way this sits in our minds is also in 'mechanical system metaphor'. That it will be periodic, goal-focused, result-centric, direct and action-focused.

Brilliant! We could have had this statement for any mechanical or electrical system. But where is the human here? Where is the place for joining in and assisting? Where is the place for handling emotions – fear of failure, anxiety of not knowing the how, disappointment of repeated efforts not yielding results, angst that a peer is speeding along and I am stuck, the shame induced by target-review meetings, the tight stomach at the end of a day of things going wrong and above all, the burden of having to carry the pressure of the bosses' performance.

Add to all this, the 'resource' centered concept of 'productivity' and 'pay for performance', the damage is complete. Once again, no one is complaining about having to be productive and delivering performance, it is the approach to it which is being questioned.

..if we fail to discover the people at our workplaces and dignify their humanness, we are in for a strife-filled period of resource management, irrespective of what the engagement indices will tell us and the cover pages of 'Best employers study' may brag.

1.3 Dr John Sullivan – Teacher, Author and HR thought leader³ (Excerpts from his blog)

90% of performance appraisal processes are inadequate.” – Salary.com survey.

In conversations with HR leaders and employees, the talent management process that suffers from the most disdain around the world is the performance appraisal. It’s one of the few processes that even the owners of the process dread.

If everyone hates it, but it still gets done nearly everywhere, you might assume some asinine government regulation requires it, but in this case there is no such regulation.

..no matter how strong their design, most performance appraisals are executed so poorly that they may actually harm a legal case.

Most ignore the shortcomings of performance appraisals and suffer through it.. Here are the Top 50 problems with performance appraisals (grouped into six categories)..

Please refer the bibliography for the link to the full blog.

1.4 Sadhana Soma Shekar, Joint Managing Director of Focus Infotech⁴ (a Software Company)

The hallmark of a successful performance appraisal/performance development process is based less on the perfect program and more on a reflection of ownership, support and acceptance at all organizational levels. Sadly, this is not the case even in the most evolved systems we see today.

The traditional and widely subscribed top down, one-on-one evaluations have lost the spirit behind which the entire system/exercise was first based on.

There are several fallacies associated with the traditional performance management systems, be it the Balance Score Card or any other. These critically affect both the organization and the individual. One of the major fallacies being the “one-shoe-fits-all” approach! It’s unrealistic to place varied and often contradictory set of demands upon one system. Ultimately, key components get neglected or compromised and the process fails. It remains just another process. Do we truly expect this one all-purpose system to be the tool to establish performance goals, measure results, and determine compensation from salary administration to profit sharing? Can we, at the same time, count on it to be the primary instrument to point out an employee’s strengths and development opportunities, coach for improved performance, determine training and development needs, and be the basis of management succession planning?

..it is essential that the status of both salary administration and developmental feedback be elevated and SEPARATED from the PMS so as to ensure that each receives the focused attention it deserves. In the existing system, these critical systems are confused and lost in the mire of the PMS.

Part 2 New Paradigms of looking at people and their relationship with Organizations

2.1 Arun Maira – Member Planning Commission Govt of India⁵ (Excerpts from his article)

An analysis of prevalent ‘theories-in-use’ of how to organise a complex system reveals two dominant theories: hierarchies and markets. In fact, these are the two alternatives described by Oliver Williamson, winner of the Nobel Prize in economics in 2009. These are also the two alternatives that executives imagine. Hence their dilemma: they want less ‘centralisation’, which requires a hierarchy that they fear could stifle innovation; but they also want less ‘decentralisation’, which would open up an internal market for ideas and resources no doubt, but one they fear they may not be able to coordinate and control.

However, markets and hierarchies are not the only forms of organisational architecture. There is a third, which operates in natural systems. Imagine a tropical forest, humming with a variety of life. It is not an unformed chaotic system: it has a rhythm to it. Ask yourself, ‘Who is in charge of this complex system?’ It is not obvious who is, yet it functions very well. A study of the organisational architecture of such ‘complex, self-adaptive systems’ in nature and elsewhere (such as the Internet) reveals the principles for designing organisations that can remain on the creative edge between a stifling hierarchy (and bureaucracy) on one side and unorganised confusion on the other.

An essential feature of such organisations is the strength and quality of the lateral linking organisations within them. Traditional organisation designers concentrate most of their energy in specifying the organisation’s vertical structures-hierarchies, allocations of authority, reports up and instructions down. Lateral links across the organisation are not designed with similar attention. They are left to be shaped by informal, forces and political alignments within the organisation. Hence, they are often weak or inappropriate.

In the vertical view of the organisation, the need for coordination is met by appointing an authority above those who must be coordinated. Thus, weaknesses in the lateral structures are addressed with more vertical structures-more authorities, more monitors and more controls, which crowd the space for movement and creativity within the organisation.

Lateral linking structures are designed to facilitate and strengthen collaboration amongst the many agencies [groups / teams] that must work together, rather than imposing one more ‘boss’ over them to force them to coordinate. These mutually supportive mechanisms are abundant in natural systems, such as the tropical forest. Such mechanisms also operate in many global, decentralised, yet well coordinated enterprises. Think of the Internet. Or the Visa credit card network. They hold together because the lateral links are strong, not because there is an authoritarian central command. Large, international consulting companies also rely on lateral linking mechanisms. They have fiercely individualist partners. Each is measured and rewarded for performance, so internal competition can be high. However, they are brought together in lateral linking ‘practices’, in which they share ideas, learn from each other, form teams to pursue new ideas and serve clients.

2.2 Robert K Greenleaf – Leadership Guru and the Author of Servant Leadership⁶ (Excerpts from the book published 3 decades ago)

I have confidence that a new business ethic will emerge...There are many parts of the total business ethic that need attention, but the one I will deal with seems the most basic...

..Looking at the two major elements, the work and the person, the new ethic, simply but quite completely stated will be.. **“The business exists as much to provide meaningful work to the person as it exists to provide a product or service to the customer”**. The business then becomes a serving institution – serving those who produce and those who use. At first the new ethic may put these two on par. But as the economy becomes even more productive.. the new business ethic of service to those who produce, may rise in priority, above service to those who use and the significance of work will be, more the joy of doing rather than the goods and services produced. There must, of course, be goods and services at some level, but in an era of abundance, they need not be the top priority...

... In an overcrowded industrial society. where most people spend their working lives, [business institutions need to] adopt an ethic in which meaning and significance are the goal – at least on parity with other goals. And to bring it to parity, it must, for a while at least, be the primary goal... Its accomplishment rests on the ability of institution builders and leaders to move these institutions (while keeping them intact and functioning) from where they are, with the heavy emphasis on production, to where they need to be, with the heavy emphasis on growing people. And they have to do this while meeting all the other performance criteria that society imposes for institutional survival.

... When the business manager who is fully committed to this ethic is asked “What are you in business for..?”, the answer may be ” I am in this business for growing people” – people who are stronger, healthier, more autonomous, more self-reliant, more competent [and more happy]. Incidentally we also make and sell at a profit things that people want to buy, so we can pay for all this. We play that game hard and well and we are successful by the usual standards, but that is really incidental... We manage the business about the same way we always did. We simply changed our aim...

2.3 Ramkumar R S, Entrepreneur, Mentor and Consultant⁷ (Excerpts from his article)

..Then there is another shift that is happening everywhere. The purpose of an organization has changed from “making money” to “growing people”. **From money is the purpose, people are the means, the paradigm is now, people are the purpose, money is the means.**

..Whether you are trying to transform the DNA of an evolving but old organization, or trying to embed this new age thinking in to the DNA of a new, emerging organization, the challenge is in breaking the established and accepted norms of behaviour and creating new patterns of thought and action – in essence a cultural change.

Any organization’s culture is deeply encoded in its systems and processes, in its formal and informal channels of communication, in its structure of power and relationships.

We all know that it is exactly the same protons, electrons and neutrons (just the quantities are different) that make iron as well as gold. It is the same hydrogen that burns and oxygen that aids burning, which when together as H₂O, can put off a fire and quench our thirst.

Similarly, the systemic and emergent aspects of an organization have a downward causation on its culture. That is why, cultural change can never be achieved by trying to change the individuals, without changing the structures, systems, processes and relationships.

Many organizations automate their existing knowledge, structures and processes, investing tons of money, making the existing culture of the organization much more stronger and difficult to change.

Some use the opportunity provided by new technology to re-engineer their business processes, making improvements by many orders of magnitude.

But very few use technology consciously as a tool for cultural change.

But while trying technology as a tool for cultural change, it is easy to fall in to traps. “Like re-engineering people processes”. Or “We are not managing people, but helping them to manage their precious resources such as time and skills”

Watching our vocabulary is an excellent way to “see” the prisms through which we see.

The word re-“engineering” – for obvious reasons – is not the appropriate word when dealing with people and culture.

And when we are managing time and skills, we are still dealing with “limited” “resources”, not with people and their unlimited potential.

History has many examples of how creativity in a fraction of a second makes many hours, days, years or even decades of effort redundant. And how people with no relevant skills (read past experience) have fundamentally changed the rules of the game in their field of action.

So creativity and entrepreneurial zeal of people (as against time and skills) have to be cultivated, nurtured and grown.

People’s growth and development should be the central purpose around which everything else have to be built.

Part 3 The Road Map

Part 1 would have convinced you the need for change. Part 2 would have given you a completely new perspective of looking at people and their relationship with organizations. Now let us look at the Road Map.

It is clear that the need is to make a paradigm shift and a cultural change. But organizations are not that easy to change. We need to transform from a “engineered - money making – machine state” to a “caring – living – organism” that produces joy and happiness for its people, people who are its employees, vendors, customers and shareholders.

3.1 The process should demonstrate the intention

Allow people to provide and share 360 degree feedback and de-link this feedback cycle from the salary administration process. You are seeding a culture of open and lateral feedback.

Set aside a significant amount of your compensation budget to be used for converting reward points to monetary benefits and perks. Allow those reward points to be issued and received socially between people who collaborate on a day to day basis (without any approvals from formal channels). You are telling people that the wisdom of the crowd is more valuable than the individual judgements of managers.

Encourage managers to share appreciation as well as developmental feedback on a continuous basis and set aside time for on the job coaching and development of their team members. Emphasise the need for career development plans and growth plans in addition to performance reviews. Project and celebrate such managers as better leaders so that the culture spreads across the organization

Give a compensation budget and an increment budget to managers and let them decide how to use it. Set up separate system / process / template for arriving at quantum of increment for each team member within a team. Delink and separate this process / cycle from the Performance feedback cycles and Developmental Feedback cycles. (atleast by a few months).

3.2 Using Technology tools as a catalyst for cultural change

Now it is easy to provide access to technology tools to everyone in the organization, so that many of the initiatives recommended in the previous section could be easily executed and managed without too much manual effort.

Customizing the tool to suit your specific business and organization is very important. Elements of “where you want to get to” in terms of culture, can be incorporated in these tools, so that it percolates in to the organization over a period of time.

But ensure that you choose a technology platform or tool that has been designed and architected to support this new paradigm of people engagement. Tools designed to automate traditional processes can do more damage than good, as they might re-enforce aspects of culture that you actually want to change. (Example: allowing a peer to give reward point and then asking the manager to approve it).

Conclusion

There is a need to re-look at the purpose of why business organizations exist and their role in growing and developing people. Then we need to re-define the relationship between people and their organization, so that people are not treated as “resources” to be managed like money and materials, but as people who have to be inspired and engaged.

Closed and Top down approaches have to be replaced with more open, lateral and social approaches. The organization has to become less like an engineered machine and more like a lively living system.

In this environment of cultural change and evolution, technology tools designed afresh (such as Synergita) can play a catalyst role.

About Synergita

Synergita (www.synergita.com) is a continuous HR Performance Management System from Astor Software. It focusses are bringing performance management closer to people and closer to business through continuous feedback and collaborative approaches.

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