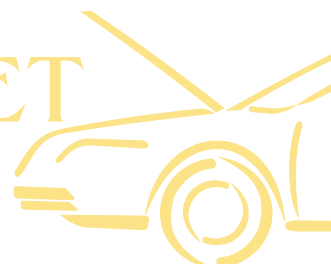


under the BONNET



*children beyond reprimand,
adults beyond review*



India's
Performance Management
Challenge

totus consulting services (p) limited



for a cause...



We Care is an organisation that **collaborates with the corporate sector in creating AIDS awareness** and works on **HIV/ AIDS prevention and control among industrial workers.**

Through their interventions with industrial workers and collaboration with corporates, We Care:

- Designs and implements **Corporate Social Responsibility Programmes** for corporates
- Designs and prepares **training curriculum** for corporate training programmes **on health and development**
- Prepares facilitators guides and presentations for **Industrial Mass Orientation Programmes**
- **Provides care services for persons living with HIV/ AIDS and their children** such as counseling, nutritional care, referral services for education, employment, short stay and terminal care
- **Links self help groups with the corporate sector** for marketing and income generation

Specific projects and achievements of We Care include:

- Working with industrial workers in the Maraimalai Nagar Industrial Estate on an HIV/AIDS Prevention Programme since 1997.
- Collaborating with Confederation of Indian Industries (CII) as a Lead NGO for their HIV/AIDS Prevention Program in Industries.
- Working on an STD/HIV/AIDS prevention programme in industries supported by APAC-VHS/USAID since 2002.
- Getting support from the Tamil Nadu State AIDS Control Society since 1999, a project that was documented by ILO in their study on Best Practices in Workplace Interventions in the year 2002.
- Developing behaviour change communication materials for the HIV/AIDS Intervention project for the Tirunelveli Migrant Workers in Mumbai implemented by SARDI, New Delhi and supported by FHI.

For further details:

Call Ms. Francis Porsingula at 0411 4-264-037 / 94434-54034, email her at wecare@eth.net, or contact her at We Care, 4/88 Nethaji Street, Singaperumal Koil - 603204, Kancheepuram District



Dear Friends

It gives me great pleasure to come back to you with the next issue of Under the Bonnet.

We must first apologise for the tardiness in bringing out this edition of UTB.

It's that time of the year when we get ready to plan, review and reward performance. It is that time of the year when the pulls and pressures start to show. It is that time of the year when inadvertently made promises will have to be kept.

It is that time of the year when Managers want to be heard but not seen.

It is performance management time!

It is also around this time, thirty years ago (1975) that Dr Udai Pareek and Dr T V Rao undertook their historic review of L&T's performance appraisal system which resulted in the formation of the country's first HRD department.

It is also about 29 years since the word Performance Management was coined and used by Michael Beer and Robert Ruh(1976).

It therefore seems a good time to talk about it in our UTB.

In this issue of UTB we have taken a long and hard look at all the issues that surround the subject of performance management and have offered some advice based on our consulting experience and research insights. We decided to commence this exploratory journey with today's children since they seem to bear the brunt of performance pressures very early in their lives and current evidence seems to suggest how dysfunctional some of this pressure is getting to be.

*In closing, I want to thank our readers for their overwhelming praise for the last issue of UTB on **employee engagement**. It is such feedback and encouragement that inspires us to continue the process of "thought leadership" to which we stand firmly committed.*

Warm Regards

Ganesh Chella

The emerging performance context

"Between January and March there are fewer story books and games & less of TV watching, and more of reprimands & warnings. The 'don'ts' peak in January -June and climax in May when the results are out" says the front-page report in The Hindu dated January 23, 2005.

The reprimands are not without consequence. One in every ten who commits suicide is an Indian. One third of them are youth.

15 year old RS of class X (name masked) hanged herself from a ceiling fan, two weeks ago. Reason - mother repeatedly scolded her for watching television.

Another class IX student ended her life after her father caught her modifying her report card. (source: The Hindu, January 22, 2005).

A 12-year-old Lucknow girl hanged herself with a dupatta after she was scolded for playing with a boy from a family her father had quarrelled with.

14-year- old Anjali set herself on fire after her mother scolded her over a domestic chore.

A girl studying in standard 7 did a similar thing when her parents scolded her for scoring less marks in the quarterly exams.

A standard 9 boy set himself on fire fearing his parents' wrath as he had failed in four subjects in the quarterly exams.

In the six to eight week period in around November 2003, 23 children aged 11-18 years have killed themselves in Andhra Pradesh. In Chennai, there were 18 reported cases in 2003 and 19 in 2004. Much has been written about the high rates of suicide in Kerala, especially after exam results are announced.

One Consultant psychiatrist believes society needs to wake up. "This happens when society becomes too busy in pursuing goals and ambitions. There is a race for everything..." he says. This means the pressure to perform is tremendous on the children from the day they enter school, and this is fuelled by the single-minded focus of parents on the achievements of children, pushing them to succeed.

Another source of pressure on children is from the schools or colleges. In fact, it's a policy in most private colleges to focus on the performing children. The student who needs the attention most does not get it. When these students fail to live up to the expectations of parents and teachers, or are punished or when their performance is put up on the college notice board, they are unable to take the humiliation. There are no outlets for children through extra-curricular activities, games and so on. Even children in class 3 and 4 do not play nowadays.

HR Managers who traditionally depended on the parents of their young employees to influence them to stay on and display some commitment and loyalty are now shocked to realize that they are the ones actually doing the damage!

Whoever is to blame for this - the educational system, the parents, society or the children themselves, the truth is that we have a problem on hand. What is evident is that our children's emotional maturity is low, evidenced by their inability to handle reprimand and failure. How do you help them cope with the performance pressures that are almost inevitable?

Cut over now to the quarterly report from one of the country's largest BPOs. It announced an attrition of over 3400 employees in a single quarter after hiring around 4800 in the same quarter! On an annualized basis, that might be well over a 100%.

The industry now has a technical phrase for this lack of assimilation, borrowed from the field of electronics manufacturing - they call it "infant mortality". We call it the mismatch between demands and resources. How do you manage performance in such an environment?

The emergence of new employment arrangements in the form of temping, leasing and contracting is leading to further challenges in securing performance. How do you secure performance from people who do not in a sense belong to you? And, do they really care?

The entry of a young workforce in unprecedented numbers into industry has created urgent demand for a large pool of front-line leadership but the shortage there is serious, both in numbers and quality. The young workforce is looking for direction and guidance and is not going to find it in a hurry. How do you manage performance in the absence of quality leadership?

The ever increasing pressures from the global market place and the investors, the increasing complexity of knowledge work and the shortage of front-line leadership are forcing Organisations to recognize the fact that there is a clear mismatch between what they expect from their regular full-time employees and the resources that the employees have to be able to deliver.

No wonder, Organisations are today measured, recognised and critiqued for their ability or inability to balance resources and demands. It is no longer possible to merely blame employees for poor performance in a review. In a buoyant labour market such as the one we are witnessing, Organisations just cannot afford to do it!

Inability to manage performance in a humane way is no longer a matter of just low morale. It is also a matter of poor retention.

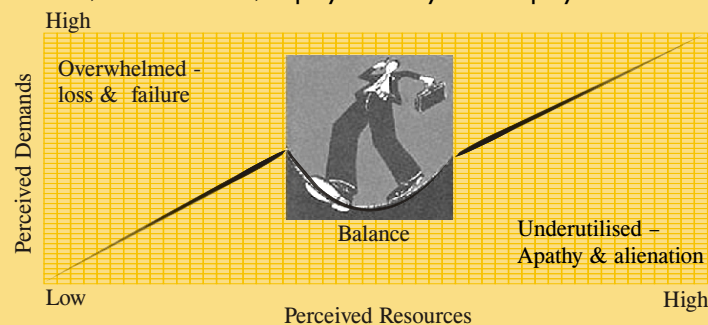
Dave Ulrich on Balancing demands & resources

Over 8 years ago, Dave Ulrich recognized the need to foster the 'Employee Champion', one of the four key roles he advocated to the HR professional.

In his book titled "Human Resource Champions", Dave Ulrich says that "HR professionals have mistakenly defined business partnership as merely having a strategic orientation, not recognizing the importance of working with and for employee contribution."

"Employee contribution becomes a critical business issue, because in trying to produce more output with less employee input, companies have no choice but to try to engage not only the body, but the mind and soul of every employee. If no one hears the voice of the employee, the voice may be silenced, to the detriment of the business" says Dave Ulrich.

Dave Ulrich also introduces the term "Employee Depression" and says that it has an underlying cause - "Employees feel that the demands made on them exceed the resources made available to them. They feel that they are being asked to do more than they have the resources to accomplish". He adds "HR professionals should be early observers of the symptoms of employee depression during employee contacts, exit interviews, employee surveys and employee relations activities."



Dave Ulrich goes on to say that "HR professionals who guarantee employee contribution should be the observers, champions and sponsors of balanced resources and demands, for both themselves and for the clients and employees they serve". The demand/resource and employee contribution challenge has three possible solutions.

Reducing work demands by setting priorities, moving towards focused goals and re-engineering processes.

Increasing resources by empowering employees, establishing a common vision, transforming the routine to challenges, building collaboration amongst employees; bringing about a culture of fun in the work setting, sharing business gains, increasing employee communication, improving technology and lastly building employee competence through training and development.

Turning demands into resources by using exit interview findings, understanding the expectations of new managers and involving employees in decisions they need to be a part of.

He further says that "Line managers should pay attention to employees' needs and ensure employee contribution through activities such as the following:

- ♦ Articulating a new employee contract for all employees within the business.
- ♦ Setting stretch goals, but supplying the resources that make it possible to reach those goals.
- ♦ Reinvesting in employee contribution".

Organisations are responding in many ways.

They are giving life to the Employee Relations role all over again. They are beginning to invest in job skill training. They are investing in leadership development. They are embracing a Coaching culture. They are trying to bring an emotional connection and fun back into the workplace.

Yet, till all these efforts begin to bring some visible changes, employers cannot really demand performance because they would not have done enough to strike the right balance. Till such time, employees are going to be beyond review, at least in spirit!

So, be it our children or our employees, the pressure to perform and the inability to cope is high. What is worrying is the fact that the children of today are going to enter our doors as future employees and will bring with them the values that they have grown up with.

While we have been able to bring about unprecedented improvements in product performance, we are still to find ways to bring about the same or even similar levels of improvement in human performance.

What is abundantly clear is that we cannot pursue a rather insular and simplistic approach to understanding the problem

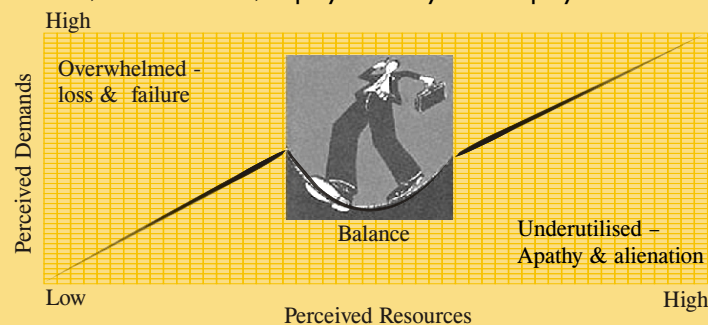
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of performance and suggesting a solution. We also believe that if we want to accomplish real performance in our business Organisations of tomorrow, we had better pay attention to our children and youth, our homes and our educational institutions today.

This is indeed the quest of this issue of Under the Bonnet to explore the subject of performance management as exhaustively and differently as possible.

There is nothing new about our attempts to unravel the problems of performance management. In fact, the Performance appraisal / management process has been criticized more than perhaps any other HR / organisation process.

Levinson (1976) maintained that there were many things wrong with most of the Performance appraisal systems in use because they were subjective, inconsistent, lacking in communication and lacking in training.

Deming (1986) identified performance review systems as one of the seven deadly sins of management. He maintained that “Personal review systems, or evaluation of performance, merit rating, annual review, or annual appraisal, by whatever

name they were called, for people in management, the effects are devastating. Management by objective, on a go, no-go basis, without a method for accomplishment of the objective, is the same thing by another name. Management by fear would still be better.”

While there is enough body of knowledge on why the various forms of performance management systems are not delivering and why reviews and ratings are just not going through, many of them (with some exceptions) have been single-loop oriented in their approach.

To understand why our employees today are beyond reprimand and review, we need to closely examine some of our traditional beliefs about “managing performance”. This quest is urgent because in the new world of work characterized by new employment arrangements and new forms of getting work done, we need to seek new meanings about managing performance.

In the words of Chris Argyris, we need to adopt a double-loop learning model (see box) to address the issue. This is what the current issue of UTB attempts!

Single-loop and double-loop learning

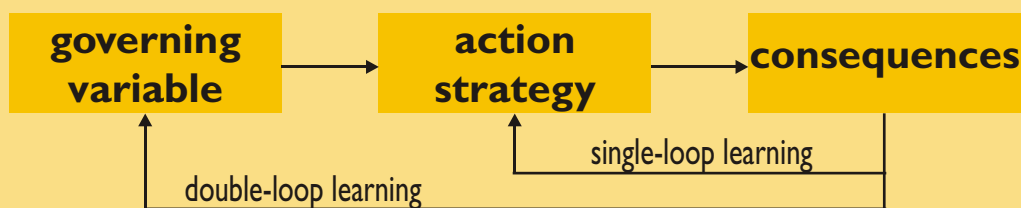
For Argyris and Schön, learning involves the detection and correction of error. Where something goes wrong, it is suggested, an initial port of call for many people is to look for another strategy that will address and work within the governing variables. In other words, given or chosen goals, values, plans and rules are operationalized rather than questioned. According to Argyris and Schön (1974), this is *single-loop learning*.

An alternative response is to *question the governing variables* themselves, to subject them to critical scrutiny. This they describe as *double-loop learning*. Such learning may then lead to an alteration in the governing variables and, thus, a shift in the way in which strategies and consequences are framed. This is how Argyris and Schön described the process in the context of organizational learning:

When the error detected and corrected permits the organization to carry on its present policies or achieve its present objectives, then that error-and-correction process is single-loop learning. Single-loop learning seems to be present when goals, values, frameworks and, to a significant extent, strategies are taken for granted. The emphasis is on “techniques and making techniques more efficient” (Usher and Bryant: 1989:87). Any reflection is directed toward making the strategy more effective.

Double-loop learning occurs when error is detected and corrected in ways that involve the modification of an organization's underlying norms, policies and objectives. Double-loop learning, involves “questioning the role of the framing and learning systems which underlie actual goals and strategies”.

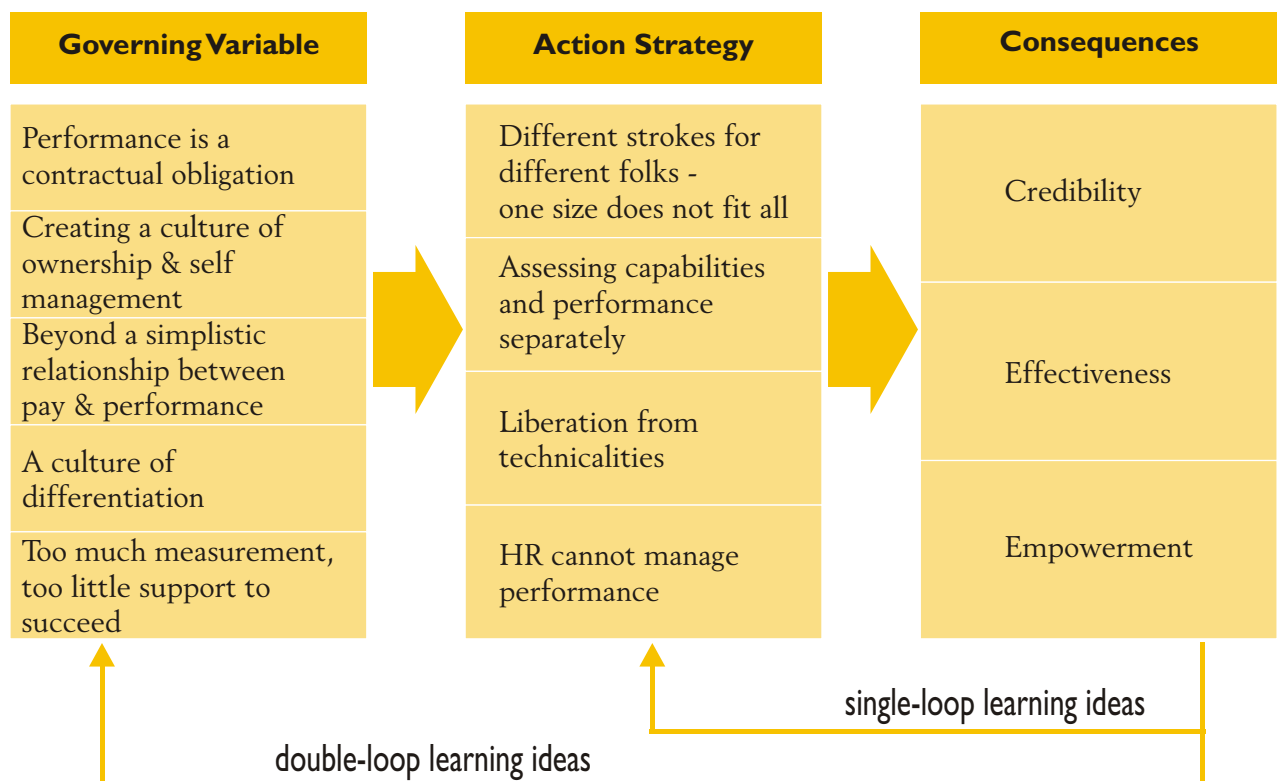
This process is represented in the diagram below:



Revisiting performance management - single & double-loop learning ideas

As you will see from the diagram below, we have identified four single-loop learning ideas and five double-loop learning ideas each that impact the subject of performance management. We will deal with each one of them in detail, starting with the more familiar single-loop learning ideas.

Learning about managing performance



Single-Loop ideas

What we will discuss here are the following four ideas to make the process more efficient, without questioning the fundamental strategies, values and assumptions.

1. Different strokes for different folks - one size does not fit all.
2. Assessing capabilities and performance separately.
3. Liberation from technicalities.
4. HR cannot manage performance.

Different strokes for different folks - one size does not fit all

In the quest for quantification and objective measurement, Organisations have, we believe, gone into overdrive. There is an attempt to try and create one large monolithic performance management system which is inflexible and insensitive to the unique needs of different parts of the organisation.

As a result of this monolithic system, even the performance planning process gets centrally initiated and driven and quite often prolongs for half the performance period! The process also puts Managers into an “activity trap” (George Odiorne)

with their spending enormous amounts of time just trying to get the system right and forgetting the big picture of organisation priorities, work unit goals or professional standards.

Organisations also end up evaluating all employees on the same measures and capabilities. At other times, Organisations use the same system for all functions or professions.

The desire for perfecting the science at one level and the desire for standardisation at another level quite often end up creating a rather simplistic response to the situation.

Here are a few simple rules to consider.

Goals vs. Performance standards

Most Organisations have two broad categories of employees:

- ▶ the large majority for whom, work is of a predictable, routine and transactional nature and is a function of clearly outlined standards and is not subject to significant change year- on- year, and
- ▶ the small minority for whom work is primarily non-routine, managerial in nature and a function of the Organisation's operating plans for the year.

It would be important for Organisations to clearly separate these two groups and follow two completely different approaches of performance management for each of them.

For the vast majority, Organisations need to establish clear performance standards (which are also called on-going goals) which are derived from position descriptions. Take for instance a retail sales representative or floor manager, a nurse in a hospital, a bank cashier, a software programmer or team lead, a waiter at a restaurant or housekeeping associate or supervisor in a hotel, an accounts clerk, a factory production operator or supervisor and so on. They do not need to be bothered with complicated goals and year-on-year performance objectives, KPAs / KRAs and so on.

They need to be clearly explained the performance standards that they need to adhere to. These would typically include work output, timeliness, process conformance, quality guidelines, and so on. This would also include standards for acquiring additional skills and product and policy knowledge on a constant basis.

The advantage of performance standards is that it drives professional standardisation and is empowering for the young and inexperienced employee by bringing clarity to his work and what is expected of him quickly. Moreover, since it is role and not person specific, and it does not have to wait for someone in head office to wave the flag and get it started, it is easy to roll out as well.

Organisations should restrict the goal setting process (using Balanced scorecard or any other such system) to a small and manageable team of people, who between them really influence and impact business results.

For this team, the process must be rigorous and detailed. Remember the simple 80:20 rule. Focus on that 20% who really drive the business results and for them spend all your

time clarifying business goals and individual commitments and do it well.

Many Organisations do not get this right. They swing one extreme or the other and the results are obvious.



We therefore recommend a system of role- based performance standards for the vast majority and a goal setting system only for the vital few in the organisation.

Team vs. Individual measures

For work units that are extremely dependent on team performance, it would be prudent to establish team goals rather than individual goals. Establishing individual goals (especially when they are linked to rewards) can lead to very dysfunctional behaviour from team members. Members are likely to design their goals in ways that are convenient to them, quite often to the exclusion of other's needs. We end up with a situation where all team members have achieved their individual goals but the team fails. We have seen this so often in geographical teams like a branch or a store or a factory unit. The Organisation's anxiety to derive a convenient individual-centric measure (for the purpose of rewards) ends up creating the unintended consequence of competition instead of collaboration.

We would urge that in such cases, team goals be established, instead of or in addition to individual goals.

Finally, there is one important point- if the organisational and work unit review processes are undertaken with rigor, there is very little left to say as far as individual results are concerned. Let me give you an example. If you have reviewed



We recommend the use of team goals, measures and review systems where natural teams are at work by design, and individual-centric approaches when natural teams are not evident. Especially for front-line positions, team measures would be preferred.

When team measures are in use, the individual reviews can focus on capabilities.

how a project team or a sales region has performed and their results are there to see, individual reviews need to focus more on personal inhibiting factors than on the actual chore of rating performance. It is like beating a dead snake.

Measuring Results vs. Capabilities

Most businesses, their products, services, internal processes and their employees are today evaluated, on-line and real time by their customers or by themselves on a variety of parameters. They are also measured by financial analysts, consulting companies and other rating agencies. We therefore have as much measurement as we would really need, with fair degree of granularity. We actually do not need the performance management system to measure that once again, that too several months after.

What we do need is an understanding of how we can help our employees measure up well. We need to help our employees by identifying the skill and capability gaps and ways in which performance improvement can happen. This would be a more meaningful use of our valuable time for engaging our employees.

This is especially true in the knowledge world where you “do” with what you “have”. In other words, work output and quality is a direct function of the competence of the person. Nathan Myhrvold, the former CTO of Microsoft is quoted as saying, “The top software developers are more productive than average software developers not by a factor of 10x or 100x or even 1000x but by 10,000x”.



We recommend that in businesses which are driven by close measurement, performance management systems need not duplicate the effort. They should instead focus on individual development. This does not mean that we ignore results. It just means that results are a given, and systems exist to track this.

Assessing capabilities and performance separately

A lot of work has been done in figuring out the efficacy of combining pay and capability related discussions in one session. Way back in 1965, GE's research published in the HBR concluded that it was dysfunctional to talk about pay increases and development in the same meeting. The study found that when pay and development are talked about at the same time, individuals tend to remember the pay discussion but not the development discussion. This led to the recommendation that pay changes and development should be

discussed at separate meetings.

Many others have written about the dual conflicts in the classical appraisal meeting between the manager and the employee.

We suggest three simple ideas here:

Separate the cycles

It makes enormous sense to separate the performance review cycle from the capability & development discussion cycle. When the stress of pay and rewards is taken away, there is a better chance of serious engagement on development.

In large Organisations with a huge workforce, it may not be feasible to do this at all levels. In such a case, we may need to do this at least at the managerial levels and above.

Link capability-related reviews & actions to development & career progression and not to rewards

360 degree feedback systems, development discussions and individual development plans should all result in the career development of the individual. In an environment where there is a constant pressure to raise the bar on one's capabilities, the least we can do is to ensure that employees feel safe and secure in the process. Many assessment centres fail because all too often, Organisations take administrative decisions based on the results.

It certainly does not make sense to link pay increases to capabilities in a direct way.

Focus on fewer people

The development process is long and hard. It is easy to give someone feedback but much harder to support development.

For any Organisation embracing this for the first time, our advice would be to start small. Once the Organisation has adequate demonstrated skills in managing the development process, we can scale up and cover large populations.



Our recommendation is to therefore:

- *Have separate cycles for both performance reviews and capability review discussions.*
- *Link capability related reviews & actions only to development and career progression and keep rewards out of this.*
- *Where necessary, focus on a smaller and more manageable population for development-oriented efforts till the organisation develops the maturity to do it well for all.*

Liberation from technicalities

For far too long, attention has been focused on the positive or negative implications of the technical aspects of the system. Walk into the cafeteria of any large organisation around appraisal time and the bell curve is always the butt of many jokes.

Managers agonise over ways of bettering the rating system so that his worst employee gets a “good rating”. In fact, in a sign of desperation they come up with extremely innovative ways of making the lowest ratings sound socially desirable. Some ingenious managers place their just resigned employees in the bottom bucket!

Yet others take measurement to the n^{th} level of sophistication by assigning weightages and making complex calculations.

Inspired by Jack Welch many others adopt a forced ranking system by which they force a 10% involuntary separation.

Almost all of these technical measures result in enormous heartburn and affect the system credibility.

Let us examine these in some detail.

The bell curve

So much has been written about the bell curve. The practice of using a prescribed normal distribution to ensure parity in ratings across different managers has been in vogue for a while now.

The worst thing about the bell curve is the fact that the “Manager at fault” is forced to go back and change his ratings after he has communicated the same to his employee. Under such circumstances, HR is always made the villain of the piece.

The most compelling argument I have heard against the forced distribution system is this - *throughout the year the organisation spends its valuable dollars to train and develop their employees so that the distribution will not be normal and yet at the end of the year, they come back and ask their managers to do the opposite!*

Despite all the negatives associated with it, there seems no option but to insist on one, given that Managers seem unable to differentiate among their employees and the Organisation has a need to bring a certain level of uniformity since the ratings are used as the singular measure for rewards.

In our view, the problem lies elsewhere. Asking a Manager to merely conform to a normal distribution is like asking a musician to tune his instrument with his ears plugged.

Look at the paradox:

- The Manager has insight into the mind of his employee, his expectations of rewards, his positioning relative to others in the team given that the team is a social system, the retention pressures that he is subject to and so on.
- HR has visibility into the overall distribution, the pay increase budget and the organisation's position vis- a- vis the market.

Unfortunately these two strong inputs seldom get put together. HR does not empower the Manager with these insights and the Manager has no means of articulating his

pressures. Obviously, the Manager refuses to take responsibility to the pay decisions and HR blames the Manager for lack of ownership. What else do you expect?



We suggest that you equip the Manager with all the information including the market position and his increase budget and ask him to decide how he would like to distribute his budget, not just the ratings.

In other words, let him know the impact of his rating decisions and deal with it rather than merely judging him by his *blindfolded rating actions*.

In fact, in our client Organisations where we have involved Managers, they have been far more conservative than the boss in both their ratings and in using the budgets.

The application of the ratings and the subsequent “what if” scenarios need to be done in a collaborative manner so that all those involved learn and improve in the process.

Rating systems

Huge amount of research has been done on the efficacy of 3, 4, 5 and even 10 point scales. Individual Managers improvise further by adding a fraction too!

Yet, the individual employee's aversion to a rating continues to be strong. This goes back to our education system and the grades we received. The social system attached to a bad grade in school is no different from the social stigma attached to a bad rating at work.

All the research on the subject points to the fact that the fewer the ratings the better. Most recommend a three- point system. One company, PECO Energy Corporation apparently uses these three phrases “great”, “ok” and “needs improvement”.

Any higher level of granularity is not of great value. The small numbers of exceptional and poor performers can anyway be identified separately, many argue.





- *We recommend nothing more than a simple three point system for rating performance.*
- *We also recommend that we do not use the performance management system to deal with poor performers. Organisations and Managers must have on-going mechanisms to flag these cases and initiate corrective actions.*

HR cannot manage performance

The title sounds provocative, but think further. Is HR really the process owner?

A survey conducted by the Institute of Personnel & Development (Armstrong & Baron) in the U.K in 1997-98 clearly indicated that the management of performance was the responsibility of line managers in conjunction with their teams. It was not the preserve of the HR function, it held.

In the name of managing performance, what are most HR professionals doing?

A major part of the effort seems to go in chasing and following up on forms to be filled, once at the beginning of the year and once at the end.

The more aligned HR Managers go one step further and run training sessions to familiarize people with the skills.

A few sit in on performance review meetings. Some go as far as driving the goal setting process.

But then, is all this performance management? Unfortunately no.

Performance management is what happens throughout the year and can be done only by the Manager. Like in child birth, the midwife can only do that much. The mother has to deliver.

In fact, HR attempting to drive the process quite often has negative consequences. Many believe it is HR's initiative. On occasions, the rigor of HR's chasing is so high that even the original goal setting forms end up with HR, to be given back to the employee only at the end of the year!



We recommend that HR work hard to get operating managers take charge of the process and really focus its efforts on the development processes.

In summary, all available wisdom about performance appraisal systems suggest the following shifts:

- Focus on the process
- Make it collaborative
- De-emphasize ratings and distributions
- Provide flexibility
- Let users be the owners

Double-loop ideas

We have so far reviewed some of the single-loop learning ideas to improve the performance management process. While many of these ideas are bright and well intended, they are indeed single-loop. They do not go to the fundamentals and roots of the issue.

We will now examine the following five ideas that will help us address the fundamental governing variables of managing performance:

1. Performance is a contractual obligation
2. Creating a culture of ownership and self-management
3. Beyond a simplistic relationship between pay & performance
4. A culture of differentiation
5. Too much measurement, too little support to succeed

All the five double-loop ideas rest on the fundamental belief that performance management is not a system but an overall process, approach and philosophy. The ideas we discuss should hopefully help us re-examine and alter our beliefs about performance.

Performance is a contractual obligation

In one of my discussions with a CEO about the challenges he was facing, he made a point that got strongly etched in my mind. He said, "The biggest problem in our country is that employees are unable to or unwilling to recognise their contractual obligation towards their employers. If employees know what they are obliged to do and do it, we need less management and supervision."

The more I thought about it the more I was convinced that it was very true.

The very word "perform" means "to execute" or "fulfill". What is implied is that the execution or fulfillment is in accordance with what is contracted.

To begin with, our employment letters are not called contracts. We call it an appointment letter! Maybe that is the first place to start to start calling our appointment letters as employment contracts!

The problem of not being aware of our obligations starts early in life. When children go to school, they see the school as being solely responsible for their learning and education. In training programs, participants think it is the trainer's job

to train them and not their job to learn. (Filling smile sheets makes matters worse!)

In Organisations, the excessive emphasis on “face time” has led to the belief that the employee's obligation ends with his turning up for work and presenting himself before his manager.

Our inability to be clear about the “deal”, be upfront about obligations, about the “interdependent” relationship and our tendency to let social relationships come in the way of getting things done is the root cause for children and adults growing up without responsibility and maturity.

It is this same approach which leads the average Indian to be unaware of or unwilling to acknowledge his rights or others' contractual obligations.

In a society where stakeholders are not aware of and feel responsible towards their contractual obligations, the foundation of performance is weak. This is even more critical in a business setting.

If fulfilling contractual obligations is central to performance, it is the parties to the contract who are best equipped to make the obligation work, not a system or a neutral function like HR.



So, how does one get people to accept their contractual obligations? Is there a method?

- *By ensuring that there are processes to clarify the contractual obligations of a new recruit and to convey to him what is “exactly” expected.*
- *To equip Managers with the skills to explain Organisation's side of the deal too.*
- *Another way to clarify contractual obligations is by clearly outlining performance standards, especially for the large number of front-line employees.*
- *While we spend so much time and effort to hire, we should spend at least half that time to clarify what the deal is and make the hire serve the purpose.*
- *Finally, a word about the way we induct our employees. We should view induction not as an information downloading exercise but as a one-time window to clarify contractual obligations in a non-threatening way.*

Creating a culture of ownership and self-management

In the world of knowledge work, supervision is actually a myth. The production and delivery of units of work is so intangible (not visible) that its supervision is an uphill task. The only way anyone at the next level can influence and add value is through his knowledge, technical expertise and his ability to trouble-shoot, teach, and guide.

The emergence of flexible employment arrangements and the demands for 24/7 operations, the access to computers and the internet on one's desk means that much is left to the individual. Organisations will need to focus more on *creating* the sense of responsibility and ownership so employees can self-manage than spend effort on policing, supervising and micro-managing.

One would assume that with advancement in education, technology, pay and comforts, the levels of ownership would automatically increase. Unfortunately no. Ownership is not automatic. It has to be created.

Consider the following facts:

The average US employee with internet access is spending 90 minutes a day visiting websites unrelated to his or her job. They are e-mailing friends, shopping online, stock trading, searching for jobs and playing games.

Recently, pogo.com reported that over a million people visited its game site from work in one month. And the average workplace player spent more than 2 hours and 30 minutes per visit, glued to a pogo.com game! Someone went to the extent of admitting, “It would never occur to me to play pogo when I am not at work”!

Organisations have responded surely enough by coming up with rules and policies which prohibit this and mechanisms to closely monitor and finally sack people who defy.

Uninteresting work and excessive stress however is seen as the reason for people doing this. The key to ownership lies there.

Cut over now to our call centre industry. Most of them have implemented what was once considered an old economy



Creating a sense of ownership (through pride, quest for excellence, emphasis on values) is the second foundation of securing performance. This is the task of leadership at every level and is way beyond what you can expect from a system. Despite having the most sophisticated systems, Organisations may not be able to secure the desired performance if ownership and self-management is missing.

regressive practice-attendance bonus. ER Managers believe the system works very well and helps control unauthorized absence.

Most of our factories and technology service centres carry their ISO or CMMI tags quite proudly. Yet, catch the junior employee on the floor and he will tell you that process compliance comes in the way of getting things done and that is what he believes counts around there.

These are maladies that no performance management system in the world can fix or manage.

Pride, quest for excellence, personal responsibility and discipline are all values that need to be inculcated from an early age. The Organisation can also contribute to building these values in the employee through the Manager.

Similarly, goals and standards may be clear but employees may not buy into it or may not agree on the means. Employees may not know how to go about achieving them. They may not be involved, may not have access to information, may not feel recognized for doing it right and so on.

Ownership & Job design

Let us not conclude that ownership is all soft stuff. Creating ownership is also a function of Organisation design and job design. The right structure and the right job design can have a huge enabling impact on performance. If a business situation demands team efforts and the work is organised in a way in which team effort is not facilitated, no amount of emphasis on “collaboration” as a capability in the performance appraisal system will help. Similarly, if a situation needs collaboration and the appraisal and reward system does not promote it, nothing will be gained.

The creation of large knowledge factories is indeed forcing Organisations to centralize, adopt time tested division of labour principles to mass produce and scale. This approach to socio-technical design will certainly have implications on ownership.

Prof Peter Cappelli, the George W. Taylor Professor of Management and Director of the Center for Human Resources at the Wharton School had the following to say in his paper, “Why is it hard to find IT workers?”:

“While enlightened workplaces were moving toward teamwork that helped build social relations, programming was moving in the opposite direction with work systems that isolated employees. Where other organizations were empowering employees to take on large, unbounded projects, programming was assigning self-contained and highly defined tasks with tight performance parameters. The results of programming jobs are rarely acknowledged or even understood outside of the immediate programming area, and programmers often do not even learn how well their tasks were performed, except for mistakes, which they hear about immediately.”



We are therefore making two points here:

- 1. Organisation design, job design and the measurement system must be aligned.*
- 2. The job design must also promote involvement and a sense of ownership and must not lead to alienation.*

A case in point

This e-publishing company was faced with serious challenges in quality, and productivity. The pressure was also resulting in serious differences between the Business Development Team, the Technical Services Team, the Production Team and the Account Management Team. This had the cyclic effect of poor team work as everyone pushed and pulled to achieve their individual targets and also protect their turf. Everyone had the Company's best interest in mind in terms of meeting his / her specific targets and yet nobody won. In the midst of all this, the Organisation was also attempting to introduce a variable pay system.

In addressing the way their individual jobs and team interactions were designed and the way they looked at team goals, we were not only able to solve the problems of quality and productivity but also introduce a team-based incentive pay program where all of them were measured on the same three goals - Productivity, On-time delivery and Quality.

The collaboration and team work improved automatically and as a team they did well on the incentives too!

Beyond a simplistic relationship between pay & performance

If we were asked to choose one single reason for the ineffectiveness of performance management systems, we would select the linkage with pay as the one.

Strange you might say. The entire premise of meritocracy and “performance culture” rests on the fact that there is a strong relationship between pay and performance, that performance is rewarded, that we recognise high performers through differential reward systems and so on. So, why would we say that this is the source of all trouble?

The trouble is this:

While there is need for a general and macro connection and correlation between pay and performance, while greater levels of performance need to be rewarded through higher levels of rewards, the connect is not as simple and straight line as it is made out to be. At the individual level, this rule does not translate literally and for good reason.

Let us examine this further.

Defining performance for purposes of pay

Firstly, performance is not a finite point but really a continuum. In other words, it is not employees at one “point of performance” that we are interested in rewarding. Similarly, it is not just the “best” performers who are needed most but also the most reliable average performers who are critical.

Secondly, there is always the dilemma of individual versus team performance. To what extent team and work unit results can be attributed to individuals, we must ask. Also, the extent to which individuals should be held accountable for organisation results is a difficult question to answer.

Similarly, the meaning of performance is also level specific. The extent of control and influence that one has on outcomes varies and to that extent, the meaning of performance varies.

Dealing with the variables affecting pay

This is an even more complex issue. While performance is one of the most important determinants of pay, there are many others.

The organisation's or job family's current positioning in the market may impact the kind of pay decision that the Organisation might take. Typically, if the organisation needs to bring its employees up to market levels, performance may be a general guiding factor but not the only factor. In reality, except for the bottom performers, most others get adjusted.

Similarly, if the industry, economy or Organisation has a bad business cycle, it may defer pay increases across the board.

In some businesses, some skills may be in very high demand and the organisation may have to adopt a differential pay strategy for incumbents with those skills. Again, in making such decisions, performance is seldom brought in, except in exceptional cases.

In a high attrition situation like the one we are in, Organisations might take a tactical decision to reward all but the laggards and may even decide to not differentiate substantially.

One aspect that influences pay but is often understated and unrecognized is the influence of values. Leaders pay a premium to a certain set of values being demonstrated but quite often fight shy of articulating it or making the process transparent. In any case, in our new found effort to quantify everything, we end up in trouble trying to quantify the value of values. Yet, values have a huge impact on pay. The values expected in a start-up situation, the values that entrepreneurs treasure, in terms of commitment and long-term orientation,

stability and flexibility, the values of ownership are all key.

We cannot also ignore the fact that in a labour market where lateral hiring is rampant, the price at which people get hired from other Organisations has far greater significance and impact on the overall market pay levels compared to the internal pay progression that people are eligible for, based on performance.

Also, as we move towards industry level, skill based pay, we will end up having to pay a certain minimum pay for a certain trade or professional skill.

Finally, when we talk about performance-based pay, we are really saying that poor performers should not be rewarded. In other words, we are really talking about excluding a small group rather than about a certain kind of distribution among the rest.

In reality, in a tight labour market scenario (and we will witness this at least for the next 3-5 years) the vast majority will need to be rewarded, to some extent or the other.

Therefore we may conclude that while there is directional relationship between pay & performance, there are many other factors which tend to diffuse this relationship and make it less pure than it seems. The pure relationship is possible only when the rule of “ceteris paribus” applies.



We recommend a huge investment in education and communication to help managers and employees understand and accept the impact of these multiple variables on pay.

If the rationale behind pay decisions are understood, Management's decision will not be construed as being arbitrary and biased.

A culture of differentiation

What is differentiation?

Differentiation is a practice and a capability that includes the following:

- Establishing and communicating clear criteria to evaluate performance & reward team members differentially.
- Acknowledging differences in performance levels in the team, and reflecting this in performance ratings and rewards.
- Implementing and seeing through the decisions of differentiation (in ratings and rewards) without impacting morale and team performance and preserving the grace and dignity of people.

There has been no better practitioner of differentiation in recent times than Jack Welch himself. He has written about his belief on differentiation extensively in his books.

“Differentiation is all about being extreme, rewarding the best and weeding out the ineffective. Rigorous differentiation delivers great stars - and stars build great business. Some contend that differentiation is nuts - bad for morale. They say that differential treatment erodes the very idea of teamwork. Not in my world. You build strong teams by treating individuals differently. Everybody's got to feel the stake in the game, but that doesn't mean everyone on the team has to be treated the same way”, he says.

Jack Welch shares his experience of having quit in the first year at GE when he realised that he got the same \$ 1000 increase that three others in his team got though he believed he deserved more. He also goes on to narrate how his skip level manager managed to retain him by offering him higher responsibilities and of course a bigger increase. He believed that this made him feel special and showed him that he was cared for. In his words, “Ever since that time, differentiation has been a basic part of how I manage. That standard raise I got over four decades ago has probably driven my behavior to an extreme”.

He conceded that it was not easy to practice differentiation in a corporation as large as GE. This is where a system was important according to him.

He talks with great satisfaction about their “vitality curve” or the forced ranking system where people are segregated into the top 20%, the vital middle 70% and finally the bottom 10%. At GE the vitality curve was supported by the reward system, salary increases, stock options and promotions.

Obviously, Jack Welch's approach sounds cruel and mercenary to many.

For many of us, our need to be nice, get on with today and not rock the boat often comes in our way of being candid and honest in our actions. Our fears that we will end up losing people because of differentiation leads us to try and keep everyone happy.

Is it possible to keep everyone happy? Where should one draw the line? Is it a sign of managerial weakness to not differentiate or is it a sign of large-heartedness to accommodate all?

Jack Welch offers a very interesting perspective. He says, “Some think it's cruel or brutal to remove the bottom 10% of our people. It isn't. It's just the opposite. What I think is brutal and “false kindness” is keeping people around who aren't going to grow and prosper. There's no cruelty like waiting and telling people late in their career that they don't belong just when their job options are limited and they're putting their children through college or paying off big mortgages”.



Our view on this is quite clear. Differentiation as a value is important and there is no getting away from it. As we mentioned earlier on, the truth is that there are significant differences in abilities between excellent and mediocre people. This difference cannot be wished away. The question is really about our willingness to recognise it, the way in which we practice it with dignity and the support we are willing to provide before the problem becomes serious.

Practicing differentiation is most critical in a tight labour market, at a time when you are struggling to hold on to your people. This is contrary to popular belief.

Having said that, we do not believe differentiation should encourage a culture of prima donnas and super stars. Differentiation is not about picking up a select few. It is about an overall value of being able to see the difference.

Too much measurement, too little support to succeed

Imagine working out regularly in the morning and then following it up with three packs of cigarettes, ten cups of coffee and a high fat diet. Imagine taking strong antibiotics without antacids and multi-vitamins.

Talking about practicing differentiation without talking about the need for extending support to succeed is as bad. In fact, this is the fatal error that most leaders commit.

You cannot practice Jack Welch's system of the vitality curve without complementing it with GE's strong investment in training and management development.

The story of Poorva & Ajay

Poorva was a team leader. She manages a team of six people and reports to the Manager of the unit. Poorva is being pushed constantly to meet targets. Her manager has not been able to make the time to provide guidance. While she needed to have her numbers in, she was also expected to maintain quality. She spent a lot of her time in getting her team together and planning for delivery. In her efforts to manage both quality and numbers through her team, she fell short of both.

Ajay was a consistent high performer in the company. In spite of pressure mounting at work, he maintained his level of performance. However, on one occasion, he slipped up and committed an error - a serious one though. When the Manager reprimanded him for that incident, instead of talking about his strengths and counseling him, the high performer felt let down and quit.

Too many Organisations are guilty of implementing part of the advice!

The tasks that people are expected to perform today are new and untested. People need help and support.

The modern world has given us the ability to diagnose and measure anything with very fine granularity. We can capture the most complex illness with the greatest precision. We are also able to define and assess with reasonable precision, the most complex managerial capabilities. We are however unable to cure a common cold. We are also not able to develop simple capabilities in our team members. This is the paradox.

Let's understand this better. One of the most common feedbacks we share with our team members is that they are *not assertive*. Yet, very few managers have any clue to its development.

We ask people to *get more organised*. Very few of us have clear ways of making people more organised. We ask people to think through problems and come up with clear options. Do we know how to develop this?

These are not impossible skills but are not simple either.

As a part of our leadership development efforts, we work with hundreds of managers along with their supervisors trying to write out their individual development plans. We see the intense struggle that they go through in trying to be specific, concrete and tangible in their plans.

And yet, we pass judgement, give feedback and expect quarter-on-quarter behavioural improvements.



Today there is need for every manager to play the role of being a Coach too. It is one thing to review, give feedback and micro manage. It is another thing to inspire people to act, to help them to succeed.

Managers need to understand the power of positive reinforcement and recognition to develop people. They should not confuse recognition with trophies and gifts and make it yet another HR initiative. The famous "Pygmalion effect" or the "self-fulfilling prophecy" must not be forgotten.

Supporting to succeed also means being there, taking the responsibility, showing the way, training on-the-job, teaching, challenging and giving the permission to fail.

The same is true at the workplace. To the extent that managers review, they do not guide, teach and mentor. In fact many of the reviews only end up deflating the self-worth of the employees.

So what are the ways in which Managers can support their employees to succeed?

In fact, what happens throughout a performance period is not planning, reviews and ratings. What happens through the year is "supporting performance and success". That needs to be the centre of the plate, not the systems and numbers.

This is what Dave Ulrich called the employee championship role - the role of balancing demands and resources.

Unless an Organisation has the culture and the systems and skills to support performance, there is no value in having a sophisticated measurement system. Measurement is actually easy. Development is the hard part. This is where ideas like the Balanced Scorecard fail miserably.

Coaching - An organisational tool for supporting to succeed

In the last one year, the Harvard Business Review has carried 4 articles on the subject of Executive Coaching including "The Wild West of Executive Coaching", "Coaching the Alpha Male", "What makes a Leader" and "Deep Smarts", to quote a few.

What can explain this sudden global interest on this subject? While coaching as a profession is over a decade old, the last few years have seen it gain significant currency. Our view is that more and more managers, especially at senior levels are needing significant support to succeed. Executives who are otherwise competent and sought after are needing to partner with coaches internal and external to reexamine their self-limiting beliefs and work towards peak performance.

The question is this - Why can his manager not be the coach? Why do we need an external coach? We have asked this question to hundreds of managers and are now convinced that we know the answer. The Captain cannot also be the Coach, especially in today's environment which rewards task accomplishment over human development.

Having said this, totus is proud about its pioneering work in creating an internal culture of coaching. We have worked with a large number of senior management teams helping them to acquire coaching skills and provide coaching support to their employees who show promise and yet need support to succeed. These managers are one or two levels removed from the coachees and do not have a direct supervisory relationship. We call this the Hybrid model and it seems to work well.

The larger sociological dimension

We started this article by talking about the psychological state of our children. We did not do this just for effect. We did this because we believe we cannot view Organisations as far removed from other eco-systems. Our employees come from the same eco-system that our children are brought up in. If our children are getting to be beyond reprimand and are weak, oversensitive and unable to handle failure and pressure and if criticism, failure and pressure are indeed going to be integral parts of their life, we would do well to prepare them for it.

If we do not invest in this preparation as parents, as future Line Managers, HR Managers and CEOs, we will unsuccessfully struggle with their issues of motivation, engagement and commitment.

The future of human resources management in general and performance management in particular will need to be far more multidisciplinary than we have every imagined. The nature of thinking that got us this far will not be adequate to take us further. We will need to turn to the field of sociology, psychology and even spirituality to find answers to the challenges that we face today and will face in the days to come.

At the least, it is clear that our thinking will need to get double-loop!

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about totus

We are a strategic HR consulting firm that partners with organisations by designing HR solutions that meet their business needs.

Using our expertise in conceptualising, designing and implementing end-to-end HR solutions in a variety of business contexts, we help organisations harness their potential and manage their growth. Thought Leadership and Implementation Excellence are the two pillars on which we build our solutions.

HR@work

This core end-to-end offering from totus addresses the needs of the following clearly defined customer groups:

- ❖ **Interim support for start-ups:**
totus has the expertise in providing interim HR support to start-ups of any size and complexity.
- ❖ **Institutionalisation support for SMEs, Professional Entrepreneurs and Family Businesses:**
totus has been working closely with CEOs of SMEs, entrepreneurs & business owners to provide them strategic and operational solutions meant to help institutionalise their HR and organisation building processes.
- ❖ **Improvement support for all Organisations:**
totus has been working with the CEOs of a wide variety and size of organisations to assist them in their organisational restructuring, change management and performance improvement efforts.

An HR@work engagement would typically last from three to twelve months depending on the complexity involved and the maturity of existing systems. The scope is highly customized to meet the Organisation's needs and covers a wide spectrum of human resource initiatives including:

- | | | |
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| ❖ Organisation Design | ❖ Workforce Management | ❖ 360-Degree Feedback Systems |
| ❖ Job Design & Capabilities | ❖ Career Development Systems | ❖ Employee Satisfaction & Sensing Surveys |
| ❖ Performance Management | ❖ HR Function Development | ❖ Coaching |
| ❖ Compensation & Benefits | ❖ Change Management | ❖ Service Quality |
| ❖ Staffing | | |

Learning@work

Learning@work is totus consulting's learning solution. totus specialises in designing industry specific learning systems to facilitate multi-location distributed learning. Run as branded programs, they institutionalise learning and put the organisation - and the learner - in charge.

The specific Learning@work offerings include:

- | | |
|---|--|
| ❖ Top management workshops for consensus building | ❖ Change management workshops |
| ❖ Customized leadership development program | ❖ Career development programs |
| ❖ Coaching programs | ❖ Design of training modules |
| ❖ Training trainers and facilitators | ❖ Capability framework development |
| ❖ Developing systems for assessment and certification | ❖ Assessment Centres |
| ❖ 360 degree feedback systems | ❖ Assessment of learning impact on the individual & the organisation |

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