

## A STUDY ON EMERGING TRENDS IN PERFORMANCE MANAGEMENT SYSTEMS ACROSS ORGANIZATIONS IN INDIA

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### ABSTRACT

India now stands at that point of intersection that requires organisations to not just cut costs but also remodel the way work is conducted and the way performance is driven and measured. Focus on past performance by using bell curve and rather than a future promise has come under critical scanner in the last few years. Such systems have been found to foster short-term focus among the employees that does not speak well for the competitiveness of the organization. Also, utilising the same rating for determination of rewards as well as finding suitability for the role and vertical mobility has been found to be short-sighted.

The need of the hour is to attract and keep talent and collaboration. Companies are also remove ratings to get managers to talk to employees about their development more than once or twice a year.

In this paper, we have studied the alternate mechanisms of appraisal followed by organizations that stress more on employees and employee development. The study reveals that an employee-focused performance management technique has the power to steer the entire employee engagement process at once. Building a high performance culture starts with a clear connection between purpose and performance.

Today's, organizations must aim to support their employees, help them develop new skills and align them with their business goal to outshine in fierce market competition.

**KEYWORDS:** Bell Curve, Performance Appraisal, Employee Development, Career Growth, Check-Ins, Feedback, Coaching

### INTRODUCTION

Many academic researches in the field of performance management has mostly focussed on the outcome and assessment of current appraisal practices rather than evolving the process itself. In the past, most organizations have adopted Rating Scale, Gradient rating, Management by Objectives, 360 degree Feedback, Critical Incident Technique, Behaviourally Anchored Rating Scale etc to assess performance. Bell curve has been used to measure the outcome of performance. Bell curve is a general term that's used to describe a graphical depiction of a normal probability distribution. The normal probability distribution's underlying standard deviations from the median, or from the highest point on the curve, is what gives it the shape of a curved bell. A standard deviation is a measurement used to quantify the variability of data dispersion in a set of values. The mean is the average of all data points in the data set or sequence.

Using Bell Curve to measure the outcome of performances has lot of lacuna and here are the reasons the current models don't work:

- No one really appreciates to be rated on a scale. In fact, David Rock's<sup>1</sup> research shows that when we receive a "rating" our brain shifts into "fear or flight" mode and shifts to our limbic brain. This shift, which takes place whenever we are threatened, immediately takes us out of the mode to learn or create, making us defensive. So the actual act of conducting a performance appraisal itself reduces performance.
- Collaboration may be limited. The bell curve model limits the quantity of people at the top and also reduces incentives to the highest rating. You start feeling that collaboration and helping others isn't really in your own self interest – because you are competing with your team.
- Mid level performers are not really motivated to improve.

In the bell curve there are a large number of people who are rated as 2, 3, and 4. These people are either frustrated high performers who want to improve, or mid-level performers who are happy to stay where they are.

All this has led to coming up with innovations in our present performance management systems.

Once clear on its purpose, an organisation can determine the core values and beliefs that reinforce this purpose. There has to be a reference point for managing performance and you realize that along with the business strategy, these elements form the basis of an organisation's moral compass. Empowering leaders to embed a values-based approach to performance management year round – during feedback conversations, goal setting and performance reviews does make an impact.

## LITERATURE REVIEW

Bell curve which has been used to rank people for ages has attracted lot of criticism. This is especially true if the organisation is using a 'forced ranking' system. Managers are 'forced' to differentiate from employee to employee, even though it is hard to compare two employees doing different work. In a system like that, someone got to be chosen to be the last guy even though he/she could be performing.

In Josh Bersin's<sup>2</sup> article "Are Performance Appraisal Doomed?", he cited 5 reasons why the existing systems are not going to work. According to him, in the area of performance management, this bell curve results in what we call "rank and yank." "So, are the performance appraisal systems going to change in the next 2-5 years?" - We are about to explore in this paper.

Creating new performance indicators, measuring employees on relevant metrics and motivating critical talent may be a vital enabler for corporate success in the future. According to a report published by PwC global<sup>3</sup>, 89% of organisations observed that their people managers were unable or unwilling to initiate difficult conversations with their team. Mercer's 2013 Global Performance Survey<sup>4</sup>, highlights many of the most pressing issues in performance management today.

Global survey respondents report that the highest-priority outcome of performance management is "driving employees to higher levels of performance." Mercer's statistical survey analyses — and years of performance management experience — reveal that the key drivers of performance management success are manager skills, executive commitment, technology, and calibration. "What is the most important outcome companies seek through performance management?" - was an important question whose response Mercer wanted to gauge and the majority of respondents (43%)

said it is - **“to drive employees to higher levels of performance.”**

## METHODOLOGY

The methodology used - secondary research and data of top firms of the industry to suggest some good ways of implementing performance management in today's era. The research study is particularly based on the secondary resources i.e. different scholarly articles and performance appraisal systems adopted by progressive organizations in India.

## ANAYSIS

Let's look at the performance management processes of few Industry leaders representing different types of industries in India as published in various articles and newspapers.

### **Tata Consultancy Services (TCS) -<sup>5</sup>(As published on 20<sup>th</sup> April 2016 by Economic Times)**

India's largest IT services company, said it has abandoned bell curve based performance appraisal and is moving **to a system of continuous feedback**, becoming the latest player to move away from the forced ranking system. "This year we did not do any forced rankings or curve fitting," chief executive N Chandrasekaran said. "We appraised people based only on their performance. We are now looking at tools to ensure that the feedback process is more continuous, rather than at defined intervals," he told ET. Chandrasekaran said TCS was looking at building more digital, collaborative tools to ensure that the **continuous feedback process** is easy to maintain. The company has over 3, 53,000 employees. Bell curve is universally loathed by those being ranked on it, and TCS employees are happy that the company has scrapped the system. "There was too much room for manipulation. Lots of people used to be unhappy," a TCS employee from Mumbai said.

### **Microsoft -<sup>6</sup>**

Over two years ago Microsoft took ratings, forced rankings and grading on the bell curve out from the system and replaced it with a model that makes is easier for managers and leaders to allocate rewards in a manner that reflects the unique contributions of their employees and teams.

Through a process called “Connects” Microsoft quite effectively achieves more timely feedback based on the rhythm of each part of their business rather than following one timeline for the whole company.

Microsoft continues to invest in a generous rewards budget as always, but now there is no longer a pre approved budget for distribution. Managers and leaders have the flexibility to allocate rewards in the manner that best reflects the performance of their teams and individuals, as long as they stay within their compensation budget. Forgoing the labelling eliminates demotivation and the focus shifts to improvement and growth.

### **Cigna-<sup>7</sup>**

Cigna's new approach to performance management is “Connect for Growth” and is aimed at improving productivity and employee morale and retaining them. Cigna has dropped formal letter of numeric ratings. The overall performance indicator will be On Track /Off Track, with the expectation that the large majority will be On Track. “Check-ins” or conversations about employee performances can occur at any point during the year with the current recommendation being quarterly at a minimum. The focus of Check-ins is on goals, progress, and career growth,

personalized for each employee. Quality discussions are more important than written documentation, which are kept to a minimum. Regular feedback from team members and colleagues other than a direct manager is encouraged. What is noteworthy is that pay for contribution is the standard for rewards.

### **Cargill -<sup>8</sup>**

Cargill provides food, agriculture, financial and industrial products and services to the world. In order to revamp its performance management system, Cargill introduced 'Everyday Performance Management' technique. This new technique removed annual performance reviews with more frequent on-job conversations and resulted in a regular, constructive feedback. The new 'Everyday Performance Management' followed following crucial points like collective responsibility of teams for day to day performance, regular rewards and recognition for managers who adhered to good day to day performance management system, continuous learning and sharing and skill training and regular feedback

The outcome of the 'Everyday Performance Management' has been quite rewarding for Cargill. Around 70% of the employees now feel more valued and engaged with their managers with ongoing performance discussions.

### **Summary of Recent Performance Systems**

The idea of removing ratings might send many HR folks into a frenzy because companies love to quantify and analyze almost everything. However, recently the trend started to accelerate.

Deloitte, GE, TCS, Tata Motors, Accenture, Cigna, Cargill and Microsoft—all announced changes to their performance management systems. It was observed that by the end of 2015, many large firms were moving to a no-ratings system. According to research firm Bersin by Deloitte 6, around 70% of companies are now reconsidering their performance management strategy.

If we look at the ongoing shift in performance management process and compare it with what these mentioned organizations are implementing, we can have a clear picture of the emerging trends that are going to shape the future of employee review and performance management in 2016.

Few Key Performance Management Trends to Watch Out this Year (2016-17)

- **'Check-In' model or Every Day Performance Management**
- **On the spot Feedback Policy.**
- **Near-term Objective than the Annual Objectives and regular Update**
- **Performance reviews highly focused on employee development and skill training and less over the regular employee assessment.**

Employers have started to realize that performance management as a business function has the potential to increase overall organizational productivity and can also help them gain a competitive edge in the market. Hence, abolishing outdated, traditional methods of performance management protocol and embracing new management process is going to be the prime focus for top employers in 2016.

### Suggested Model

Based on the study of various industry leaders, we can conclude that

- Putting employees in Control ( ~Ownership of Performance Process)
- Performance management is no longer just the responsibility of a manager. Neither it is about coaxing employees through a passive process that they can't control. It's now about putting employees in control and taking ownership of the process.
- Elimination the ratings and rankings(~ Rethinking performance)
- People want to know how they perform relative to their potential and unique talents, not against their colleagues. Setting trend for Check-in and Connect is the crucial step in this direction.
- Performance improvement mindset( ~Improvement and Feedback)
- Change in our ideologies is a must. For a long time performance management meant an annual event, a process, or tool. Now it's about creating workplace that promotes a cultures transparency and open feedback. The system should encourage Instant feedback
- Collaboration and Employee Development (~ Coaching and Motivation)

The workplace has changed and relationships are based now on trust. Many companies are also adopting a flat structure. We need to create a win-win alliances between employees and the company and encourage a culture of coaching throughout. In the next few years, with advancements in IT, we're going to see big data and analytics help us identify high performing teams and individuals, and disengaged employees. It will also provide predictive insights on how to increase performance, engagement, and reduce turnover. Motivation the right set of employees will reap in big benefits.

An employee-focused performance management technique has the power to accelerate the entire employee engagement process at once. Today, organizations must aim to support their employees, help them develop new skills and align them with their business goal to outshine in fierce market competition.

### CONCLUSIONS

In a report on performance management and the best practices taking shape, consulting firm People Business <sup>9</sup> states how firms are bringing about changes when reviewing employees. "Performance management is one of the most debated practices that organizations undergo on a regular basis. While there is not much debate on the value of performance management, the effectiveness of the process and how organizations can use it for building a high performance workforce are of great importance.

Remodelling the performance management can be frightening for some organizations, especially if you've always relied solely on annual performance reviews. Companies like Microsoft and GE, didn't just look into a high performing culture– they were early adopters and propagators of this interesting and rewarding performance management trends. Companies should focus very heavily on collaboration, professional development, coaching, and empowering people to do great things.

Yet it has taken a few progressive companies to lead the way and show us that life is better on the other side. However, gradually many companies are making improvements in their appraisal systems, according to People Business<sup>10</sup>. One of the key drivers of this transformation will definitely be an organisational approach to performance management! The manager's ability to have difficult performance-related conversations with team members and taking ownership of the performance process will be a key driver. While it is important to empower managers and employees alike to play a greater role in the performance management process, it is critical to ensure that there are checks and balances that keep the process from becoming unfair and creating centres of unbridled power of control.

**What is noteworthy is that, a model should be followed which is focused primarily on Rethinking performance, Ownership of Performance Process, Feedback, Motivation, Engagement, and Improvement** in the process of your organizations!, **Capturing data that matters & Continuous Coaching**. If the organizations start implementing all of these in their model, it would be a game changer for them!

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