



# HAVE YOU PLAYED NOAH AND BUILT THE ARK YET?

**Rajlakshmi Saikia Bhimwal** confirms that it makes sense for organisations to revisit their performance systems and stop looking at appraisals as a subject of affordability, especially at a time when businesses are operating at less than 100 per cent capacity

■ Cover Story: Performance Appraisal

**VERDICT** 0.01 (refer to the editorial in *The Human Factor*, dated May 2009) quotes, “In a manufacturing economy, we would intuitively keep lubricating and maintaining our plant and machinery; failing to do so would mean seizure of the resource that justifies our existence. Take that premise, place it within the context of the knowledge economy, and we have the clear analogy that failing to lubricate and develop the collective mind of the workforce risks the stagnation and decay of the very resource that will sustain an organisation through this slowdown as well as help it grow once we reach the inevitable stage of economic recovery.” A fact endorsed by most HR veterans, who clearly

announced the importance of training and development for business continuity, recession or no recession! Yes, this is all true and well accepted, but how does one identify who to train and what to train for?! In the wake of such a thought, it is adequately important to explore how one can justify the answer to the hanging question that faces many organisations today, and that is, “Can we afford a performance appraisal exercise in the present slowdown?”

Perhaps a pertinent question for many who have been hit hard by the global meltdown, and we at *The Human Factor* strongly believe that it is worth revisiting the above question. The fact that organisations are questioning whether or not they can afford appraisals this year is definitely bewildering. Those who believe that the performance management exercise can be viewed as optional have a very myopic picture,

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**Pavan Bhatia** (ED-HR, PepsiCo India)

Leveraging performance management to change employee behaviour is key. Therefore, the system should measure and reward both output and behaviour. It is also very important to make the system

transparent. Employees should see the system as being fair. If the performance management process (*objective setting, rating, reward*) is not seen as being fair, all other HR initiatives will fail.

and this can be suicidal for the very existence of the organisation. We feel obliged to reintroduce the critical role that effective performance management plays in today's environment, and why this process is so essential to employers and employees alike.

It comes quite naturally to many organisations to equate performance management with the annual appraisal which measures the year's efforts of an employee in terms of numbers. And the notion that many today hold as to whether or not they can afford performance assessment (*read appraisal*) in the present scenario is primarily an offshoot of this belief. In a recent exclusive interaction with *The Human Factor*, Dr. T.V. Rao stressed upon the urgent need to abandon the term "performance appraisal". Through his years of experience advising the best in India Inc. and beyond, Dr. Rao is of the opinion that "performance appraisal" is fundamentally a wrong attempt to fit qualities into quantities. Performance Management System (PMS), on the other hand, focuses on better utilisation of human resources which is an exercise that should happen at all times instead of being a 'once-or-twice-a-year' agenda. This will only be possible when organisations bring about a change in their thought processes and take a new look at the potential of PMS by using it for objectives rather than appraisals that merely generate numbers. Of course, good performance must be rewarded but first, it is important for employees to understand what constitutes good performance. The right PMS can instil a shared sense of what is rewardable performance and what is not, for both the appraised performer and his/her supervisors.

How is it that in the same market where the concern of 'recession and its resultant cash crunch' continues to

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**Dr. T.V. Rao** (Widely credited as the father of Indian HRD)

I have always promoted the quantification and measurement of contributions. For instance, the number of hours an individual is supposed to spend on the organisation is between 2000–2400. If you pay

Rs. 10,000 to a person, even a hawker, it costs Re. 1 a minute. My book 'Hurconomics' has a separate chapter on PMS which talks about the measurement of talent in monetary terms. Therefore, what we are saying is that every person brings in talent in terms of the time spent by him/her. You can quantify this and ask the question of what contribution he/she is making. Essentially, what we need to do is identify the time that is not being used properly as this time is what worries the managers of the company.

do rounds, we have companies like LG Electronics India announcing its yearly bonus equivalent to 90 to 100 per cent of its key performers' fixed annual salary; and Bharti Airtel rewarding its achievers with monetary incentives of up to 150 per cent of variable compensation as bonus? Do they look at appraisals merely as an exercise to quantify productivity, or do they consider it a process that has the primary objective of developing employees for continuous high performance, to subsequently utilise this tool to identify training opportunities? It is perhaps the latter, because the one commonality in all such organisations is that they have an established PMS with the clear-cut objective of developing and promoting employee productivity as a continuous process. The systems may surely differ but the objective is always to identify and develop human skills so that companies achieve a status of high performance, thus leading to continuous organisational growth.

When *The Human Factor* spoke to Mr. Krish Shankar (Director-HR, Bharti Airtel) in November 2008, he talked about Bharti Airtel's focus on continuous engagement through talent acquisition and

management, which forms the essential foundation of the company's grand vision to become the most admired brand by 2010. He emphasised on the importance of continued growth and development at Bharti Airtel and shared with us the strong role that internal job postings (*IJP*) play in helping employees gain a clear outline of their career paths. The system allows employees to assess and accrue the kind

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**Gunther Wolf** (WOLF Managementberatung, Germany)

Managers who temporarily neglect performance assessment miss the opportunity to set the record straight, draw attention and provide orientation to their employees at a time when

many question marks emerge in their minds. If employees sense uncertainty or are not sufficiently informed, this could result in dormancy/inactivity, unintentional actions damaging business objectives, and the loss of employees needed for the success in the future. Performance assessments offer employees the opportunity to attain security and receive confirmation for the direction and prioritisation of their actions in these uncertain times. Only when they know in which direction the ship will sail can they help to set the sails accordingly. The current situation is particularly suitable for achieving strategically important success and performance at the level of the individual, the team, the business unit and the company.

of experience and training they require to move up the ladder. More importantly, such initiatives are not viewed in isolation, but form a crucial part of the organisation's overall objective. In another recent instance (April 2009), *The Human Factor* had the chance to interact with Dr. Yasho Verma (Director - HR and MS, LG Electronics India) who discussed LG's development plans for around 1500 employees, which the company intends to implement by introducing 5-year career plans. He highlighted LG's focus on performance management, saying that it is an all-inclusive process wherein assessment centre is deployed to identify strengths, weaknesses and future potential of the company's human capital.

What struggling organisations need to understand is that strategic people development and employee engagement cannot be possible without a proper plan or an appropriate implementation of that plan. Whether an organisation is able to pay its employees bonuses and perks as promised or not is not a question of the prevailing economic reality alone; it is also a product of what the organisation has planned for itself and whether or not it has been able to recognise its people contribution to overall productivity. According to Mr. Prithvi Shergill (Senior VP-HR, Accenture), for those who never

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**Dr. Yasho V. Verma** (Director - HR and MS, LG Electronics India Pvt. Ltd.)

In times like these, even the best of companies have to take certain measures to cut down on costs. The reactions of companies to this can broadly be classified into two categories.

One is that of panic, a knee-jerk reaction of firing employees, creating insecurity throughout the organisation. The others are those who believe in motivating people to work harder and more efficiently, which helps bring down costs and boosts overall profitability. We, at LG Electronics, believe in following the latter school of thought. Our focus is on retaining and keeping our star performers motivated. Recession or no recession, we believe that there should be no ceiling on rewards given to star performers. This year, we are giving out bonuses as high as equivalent to 22 months' basic salary to the best performers' fixed annual salaries. We are also sending 350 of our employees to watch the T20 World Cup in London this year. Incentives like these ensure that our key performers stick with us and help us ride out of bad times.

thought PMS to be essential for the organisation's growth and well-being, trying to make changes now during such unpredictable times is not wise and will surely be a futile exercise. But yes, the sooner these organisations start to realise the true essence of an effective PMS, the better it will be for them in terms of surviving the growing competition in today's knowledge economy.

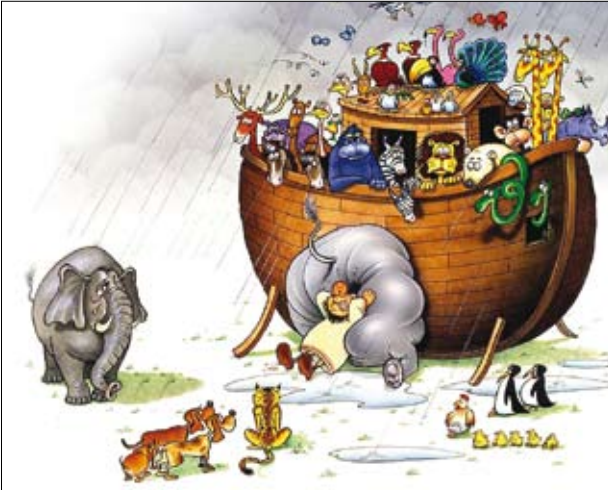
From the employees' point of view, at a time when the economy is in a slump and business in most organisations is operating at less than 100 per cent capacity, there are more chances of people feeling disengaged and therefore demotivated. This, in turn, could become the cause for even the better performers losing focus, resulting in a

vicious cycle of low productivity. Besides, there is also a lot of poaching taking place in the industry wherein the smarter organisations are alluring the better performers by offering higher packages and a more engaging work environment. This, perhaps, would not have been so easy during normal circumstances, and organisations now need to be wary of this phenomenon if they do not want to lose

**IT COMES QUITE NATURALLY TO MANY ORGANISATIONS TO EQUATE performance management with the annual appraisal which measures the year's efforts of an employee**

**WHAT STRUGGLING ORGANISATIONS NEED TO UNDERSTAND IS THAT strategic people development cannot be possible without a proper plan and its appropriate implementation**

## Dr. T.V. Rao On The Creation Of Comprehensive Systems



- Implementing continuous performance improvement measures amongst each of the employees
- Developing a discipline of planning work and managing one's time and talent accordingly
- Ensuring role clarity
- Recognising strengths and areas needing performance enhancements, and identifying development needs arising from the same
- Building competencies amongst individuals, teams, and the organisation as a whole
- Preparing a database for rewards, promotions, recognition and motivation
- Developing insights into self, since high self-awareness is essential for better leadership and managerial effectiveness
- Developing mutuality and respect for each other (*amongst senior-junior or boss-subordinate pairs*)
- Developing problem solving capabilities amongst the workforce
- Inculcating a learning culture
- Enabling seniors to learn from their juniors, and vice versa
- Providing mentoring and coaching support to employees and effecting performance improvements
- Preparing employees for competitive and continuous change
- Arriving at an objective assessment of performance by each employee and generating data about employees for various HR decisions like rewards, rotation, recognition, higher responsibilities, etc.
- Integrating and aligning the work of individuals and their teams with the overall organisational goals and tasks

their star performers.

Organisations such as PepsiCo and LG understand the potential of their high performers and realise the fact that the recession is only a phase, and that there is always an upturn that follows any downturn. To fill up the slack in work, LG continues its practice of identifying potential performers and sending them for leadership programmes, while PepsiCo is concentrating on its global leadership development programme.

Although more and more managers are tempted to avoid performance appraisals, this is definitely not a wise call. If understood and done in the right perspective, the PMS is the only means of giving employees a better understanding of the new and different demands of their jobs in context of the company's changing needs. Especially from the organisation's objective of long-term continuity, one needs to be able to identify and then capitalise on the opportunity to stress on the future instead of blaming everything on the recession and its ills. Whether through a robust PMS or a mere appraisal, the current time brings with it a great opportunity to engage employees in understanding how they have contributed and can contribute to the organisation, while identifying their stake in the reengineering of work processes, thus helping the organisation stay competitive in tough times.

Dale Furtwengler, (*Author of '10 Minute Guide To Performance Appraisals'*) further clarifies the connotation of appraisals and talks about how one can reach its objective. He says, "It is important in the appraisal process that we let employees know that our dreams for them and for the company are not being abandoned; rather, they are being postponed until the company finds a way to adapt to the new circumstances it faces." The PMS should be looked at as a method of informing the high performers that their contribution and productivity is being acknowledged, whether or not the same follows the usual appraisal in terms of salary or bonus. If organisations are silent about performance, there are chances of the wrong message reaching out to people, leaving them in a state of fear and fury from the anxiety that they may be next in the line of fire.

This is a concern that has certainly surfaced because of the recession, but fortunately this problem is not a consequence of the recession, and so we do not need to sit and wait for things to turn around. The Performance Management System can be a great tool at this time to communicate with and engage employees to reassure them about the future direction of the organisation. Especially at a time when businesses are operating at less than 100 per cent capacity, it makes sense for organisations to revisit their systems and stop looking at appraisals as a subject of affordability. The way forward is for organisations to start becoming proactive and work towards changing their systems, instead of letting this slowdown become the reason for the downward spiral of organisational morale.