

REBOOTING PERFORMANCE MANAGEMENT FOR DIGITAL TRANSFORMATION

Dr. Amarjot Verma, Assistant Professor, Department of Business Administration, Institute of Management Studies, Bundelkhand University, Jhansi(U.P)

ABSTRACT

Traditionally performance management has been a retrospective exercise based on evaluating an employee's past performance, but with advancement in technology it has become an ongoing process that helps identify and correct performance issues, promoting continuous communication and feedback between peers, employees and managers in order to achieve organizational goals. Whether you're just planning to start with digital transformation or are already in the middle of the transition process, it pays to know the advantages that await this transformation. When technology changes the business landscape, digitization no longer remains an option, but becomes a prerequisite to remain competitive in an uncertain business environment.

Keywords—retrospective, ongoing, organizational goals digitization, competitive.

INTRODUCTION

With the changing dynamics of business models, macroeconomic trends, and digital disruption, performance management has become a hot topic of discussion for the HR function. While some of the organization has re-modeled their overall approach to measure performance, some are currently thinking of following the industry trends and there are few that might continue with the current approach and may introduce small changes in the times to come.

India is at the cusp of start-up growth where innovation in fields such as Big Data, Artificial Intelligence and Cloud Computing has given a lot to choose from. Though it is a big challenge to integrate business processes across corporate borders, still it offers a huge advantage for the digital corporate performance management. Advancement in performance management system ensures better success for achieving employee and organization goals. The best practices once implemented successfully will help manage the entire process much more efficiently and those adopting digital performance management system will be better prepared to handle challenges in the most effective manner.

Organizations in the midst of massive business transformation have their revenue model disrupted by new technology, shifting toward artificial intelligence and hybrid cloud services. To increase the pace of innovation, companies are rapidly changing by working in new agile ways that match with employee skills, but an outdated performance management system that employees don't trust, can get in the way of this appraisal. Before an organization fully engages its employees in the process of business transformation, they need to completely rethink their approach to performance management. The traditional approach revolves around the annual cycle of review and appraisal based on the concept of "*follow the organization*". A fundamental transformation means a dramatic shift in the way of working, where innovation and speed becomes more important compared to the traditional model which focuses only on efficiency. And

when such radical changes emerge, it is obviously important to involve employees in the process since digital transformation cannot succeed without employee engagement and a high performance culture.

This picture depicts that work can be done in three fundamental ways—

Firstly, as employees work on different projects there should be more focus on project type work, *Secondly*, the entire concept of performance management should shift its focus from performance results to the "how", for continuous development and use of new skills to keep pace with exponential changes in technology. *Finally*, adopting agile working methods makes continuous feedback an important part of the workflow which fosters a culture of real time feedback. This new strategic direction of performance management necessitated changes in the way talent is managed and the way work is done. In the traditional model managers only supervised the work of their employees and had no direct insight into the employee's performance. Digital transformation is exerting constant pressure to maintain an edge over the competitors shifting priorities from innovation and agility to continuous development of the skills of the workforce.

ELEMENTS OF PERFORMANCE MANAGEMENT

- *Goals*

Setting and communicating goals is one of the key elements of an efficient performance management system. These goals should be dynamic and the organization should ensure that everyone's goal is aligned with the mission of the organization.

- *Data*

For avoiding biased feedback data provides a reliable basis to manage performance management. To manage this data software tools used provide companies with transparency about employee performance patterns and can help address issues proactively rather than reactively.

- *Compensation*

Performance management is tied to rewards just as human resource management is tied to appraisal. In other words if employees exceed expectations, they should be rewarded suitably. Granting recognition to good performance depicts that the employees also have the ability to grow along with the organization.

- *Accessibility*

Organization has to make sure that the workforce is fully equipped to do their job with access to tools like process documentation, organizational charts, login information, branding assets and messaging guidelines to communicate with each other and tap the shared knowledge.

PERFORMANCE MANAGEMENT Vs TALENT MANAGEMENT: FORMING A WINNING COMBO

Aligning the performance management strategy with talent management strategy creates a symbiotic relationship for a healthy, safe and productive workplace leading to initiatives that focus on better business results, providing constructive feedback to employees, using the right technology as a key for continuous performance improvement following a human-centred approach. These talent acquisition programs are capable of bringing the talent of the employees on the

forefront. Success happens when the organization creates a culture that aligns, engages and motivates employees to do their best encouraging them to move beyond their comfort zone to learn and improve. And industry 4.0 technology allows manufacturers to integrate top-down performance management and bottom-up problem solving techniques into business as usual routine for assessing and improving the technical expertise of an employee.

The result? A virtuous cycle of improvement.

For the past several years, organization around the world has begun devoting substantial resources to join the Fourth Industrial Revolution (4IR) integrating real-time data to minimize financial damage. The objective: emergence of a single system that supports not only the performance-management reporting but also the agile problem-solving system that workers use to identify plant and network-wide constraints, perform root-cause analysis to ensure the desired output in the desired time.

HOW DIGITAL TECHNOLOGY CHANGES PERFORMANCE MANAGEMENT

Digitizing the performance management process allows employees to actively engage with the system and in turn with their own performance and development goals making them feel more valued. Most managers begin digital transformation journey without even identifying the Key Performance Indicators (KPI). At this point four key questions needs to be answered to justify the investment--

- Where are you presently in your digital journey?
- Where should your digital journey take you?
- What's the benefit of getting you there?
- What's the plan for getting you there?

Moving into digital maturity requires a clear and coherent strategy as 98% of digital leaders expect positive long-term results due to proactive problem solving. Here technology takes over many of routine tasks of the team, enabling them to become more productive by increasing time availability for strategic decisions ensuring longer periods of uninterrupted work.

PREREQUISITES FOR DIGITAL TRANSFORMATION IN PERFORMANCE

Every organization that is undergoing transformation has its own uniqueness in this journey. Certain pre-requisites are essential in this process--

- *Mobility and remote working:* Digital transformation is aggressively steering both software and employees 'off premise' making mobility and remote working the norm for present. This widens the availability of skill pools as hiring managers no longer needs to focus on an employee who is based close to the office – instead they can opt for the one with the right skills to fulfill a role, utilizing communication tools like social media, intranet, instant messenger and apps, group/team forums and video conference facilities.

- *People with the right mindset:* An organization going through the transformation process will have to accommodate changes occurring in its culture and ways of working. During such a time, employee willingness is critical to its success, as constant resistance to change will result eventually leading to failures in organization. So there is a need to build cohesion within team members along with right mindset to focus all efforts towards a common end goal.
- *Focus on learning and growing:* In today's world, skills are actually more important than jobs. You can't hire someone because they have a particular skill but you have to hire someone because they have the capacity to continuously learn. Talent management now includes providing a personalized learning platform with assistance of career advisers within the organization who look to counselling needs of individual employees in order to provide a path for learning and growth during long term.
- *Preventing attrition:* It is really important to attract, develop and upgrade the skills of workforce to retain talent for winning in this market. Managers should focus on employee engagement and retention for increasing job satisfaction which is an essential component, in a talent-scarce market.
- *Open and transparent communication culture:* For effective digitization of performance management an organization should follow a transparent bilateral communication system. The leadership team should be in a position to convey clear message of the organization's vision, long /short term goals of the transformation, along with how it may impact the employees. Similarly, employees should be in a position to voice their ideas, concerns and provide feedback about decisions and suggest alternatives. By involving every employee in the bilateral communication system and making them a part of the change process helps in developing a culture of mutual trust and understanding in the organization.
- *Openness to experiment, unlearn, and relearn:* Many of us are used to working in a certain standard manner and are normally uncomfortable with change. A change in mindset is required for something like digital transformation as individuals have to constantly unlearn and learn new culture, processes and skills. Unlearning requires an individual to constantly question the current ways of working and challenge the current model and patterns. In the rapidly changing world where it is not just technology that gets updated every few years, learning agility or ability to re-learn is a key in succeeding in an uncertain and unpredictable future environment.
- *Adopting and adapting to various situations:* People often find it comfortable to be in their own shells, trying not to venture out. To be adaptable means to be comfortable in uncomfortable situations. Being agile is not following a set of instructions from a

book or a prescriptive approach for executing projects, but it is more about understanding what works for the people, team and organization. As a part of this cycle of adopting and adapting employees are free to set-up processes as they see fit, which will help them achieve the objectives and fine tune them when required. This follows a typical Plan-Do-Check-Action cycle (PDCA) creating a process that help individuals undergo the change process smoothly.

- *Using the right tools and technology:* As part of digital transformation, while selecting the tools and technology, it is vital to understand an organizations / team needs and realizing that these needs may change over the years. So available tools and technology can provide assistance in delivering a piece of work more efficiently.
- *Suitable time and effort for addressing gaps and improving the processes:* There is a need to introspect about the activities and practices of the team to understand where the gaps lie and what can be done to fix it so that the quality of the process and services is consistently high. Once the gaps are identified and preventive actions agreed upon, teams have to spend time and effort to implement the actions. It is upon the leader and their team to create opportunities for such activities.

In conclusion, for any organization seeking change will have to search from the perspective of people, process and technology lens. From an organization's cultural perspective, people aspect plays a major role as transformation cannot be dealt with in isolation of a

function or a department; it is usually interdependent and needs to be dealt with holistically.

UNDERSTANDING BENEFITS OF DIGITIZED PERFORMANCE MANAGEMENT

Digitization is a beautiful change that can transform the business in several ways. It can help to-

- *Design new business models:* Digitization can help explore new ways of doing business. It can expand the visibility beyond the physical location, working online and creating new opportunities for business growth.
- *Create new revenue streams and new customer segments:* Digitization opens up new opportunities for generating revenue and approaching new customer segments.
- *Offer new personalized value propositions:* Businesses can create more personalized messages that resonate with their target audience enabling to focus their marketing efforts to specific customer segments based on their interest, behaviour and preferences.
- *Establish new relationships with prospects and clients:* Social media, email and chat bots can help business engage with prospects and clients to offer personalized services and track customer interactions, leading to better communication, trust and loyalty.
- *Redefine business activities, partnership and resources:* Digitization can increase both efficiency and productivity resulting in new partnership and collaboration.
- *Reduce costs and improve efficiency:* Reduction in cost is only possible by automating routine tasks as

it can increase the time availability to focus on projects of strategic importance.

- *Discover new sources of competitive advantage:* New competitive advantages can also result from digitization of business.

HOW TO EFFECTIVELY HANDLE DIGITIZATION IN PERFORMANCE MANAGEMENT

- Eliminate the fear factor from the minds of employees.
- Be candid and communicate freely with the team.
- Select effective leaders to lead the team.
- Provide continuous training to employees.
- Involve the employees in the digitization decisions.
- Be patient and take one step at a time.

SUGGESTIONS FOR DIGITAL TRANSFORMATION OF PERFORMANCE MANAGEMENT

If enterprise performance management becomes a performance-reporting tool, there will be naturally a lot of resistance. But if it is treated and communicated as a continuous problem-solving tool that empowers operators with the data they need to do a better job, while giving visibility to where they should focus their resources on to address key challenges, resistance can be replaced with acceptance and enthusiasm. Errors on the part of human can be avoided to a large extent in the digitization of business model. It influences business by—

- *Improving work productivity:* As documents will be digitized and time barriers disappear with optimum use, overall work productivity will be impacted positively.
- *Enhances operating procedures:* Daily operating procedures can be enhanced successfully through digitization, task management and work orders can be improved allowing to co-ordinate work duties between multiple teams.
- *Helps In effective decision-making:* With digital metrics using key performance indicators and data from companies and customers, decision-makers can be guided toward better resolution for the company.
- *Provides better customer experience:* Digitization helps maintain closer relationship and building trust and confidence between the client and the company.
- *Monitors and optimizes data:* Monitoring of data is facilitated using the digital platform and reporting becomes much easier and accurate as the data comes with proof and metrics.
- *Improves team collaboration:* Team collaboration can be enhanced as members can connect and collaborate easily with the help of the available softwares.
- *Creates additional business opportunities:* Expansion of market and target audience is possible leading to growth of products and services. New business opportunities can be discovered and created as businesses can operate effectively from anywhere.
- *Integrates internal processes:* Software and system can now be integrated to make internal process clearer for every team member. The standard operating procedures makes the work more consistent, efficient and effective because they're

based on a standard process which facilitates alignment between the company's objectives, its employees and customers.

- *Saves operating costs:* Digitization reduces operating costs because conventional office supplies like paper-ink is done away which enables lowering of cost and invests in software and other computer system.

Predictive performance management involves applying suite of statistical applications that shifts through vast amount of data to discover meaningful correlation, pattern and trend. Such analytic techniques for modeling, forecasting and simulating potential outcomes can help answer critical questions such as:

- Which measures drives the business progressively?
- Where do we need to improve and by how much?
- Are employees aligned with the strategy?
- How should the organization adjust the strategy and modify initiatives?

Performance management system erases some of the doubts from the past; it ensures precise performance appraisal data that is extremely critical during the actual process. Access to the goals and evaluation for the upcoming year help the system generate better feedback from co-workers and creates a positive outlook towards performance reviews. Other than accurate data, digitization helps the management in strategic development process. Tools that are driven by technology can ease a manager's evaluation process and help employees become active participants in their review sessions. Moreover, with increased transparency and automation of HR function, these tools help align employees with the organization's objectives and give managers the data they need for compliance and regulations.

There are several benefits to move to a dynamic, technology-based platform from a paper-focused approach, as it helps link individual goals to the organization's mission, increase standardization with more precise annual performance ratings, facilitating communication between employees and managers presenting effective progress reports across the company. And with a proficient human resource pool companies can lessen the administrative burden of traditional performance management system so that the time saved can be invested in improving employee development and succession planning.

CONCLUSION

Organizations using digital performance management system will be better prepared to handle challenges both today and tomorrow in the most effective manner. It is fine not to be ideal here, but the winners are those who will dare to move fast to the next level of digitization along with the business rapidly with efforts to modernize the performance management system on a continuous basis. It's a new way of working that help organization keep their skill pool up to date as things keep changing in the future. Technology and the adoption of technology at workplace are at a higher tempo than ever. Today every company and their employees are influenced and subsequently affected by digital adoption and digital transformation. But the question is how this digital era affects people, how it affects employees in companies and how digital tools and processes influence those employees that are managed and engaged. By digitizing the performance management process employees can actively engage with the system and in turn with their own performance and development needs. These employees will feel more valued and therefore more likely to work towards the company's strategic goals and plans keeping themselves focused and productive.

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