

Business Manager

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of the **FUTURE**



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The future of performance management in organizations is poised for significant transformation, driven by advancements in technology and evolving workplace dynamics.

Technology will play a Crucial Role in Shaping PMS of Future

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About the Author

Dr. Aman Jain currently is Vice President- Corp. HR at Sterling Holiday Resorts. He is a distinguished HR and organizational development expert with over 15 years of experience in Consulting, Retail, Pharma, Manufacturing, IT, FMCG, & Hospitality Industries. With a Doctoral degree from IIM Kashipur, his research explores learning analytics, gamification, and intergenerational learning.

What future do you envision for the performance management process in organisations? How use of technology is going to change/revamp it?

AJ The future of performance management in organizations is poised for significant transformation, driven by advancements in technology and evolving workplace dynamics. This transformation is expected to impact various aspects of performance management, including employee evaluation, goal setting, feedback and coaching, and performance data analysis. Here's a detailed look at how these aspects are likely to evolve:

Employee Evaluation: The traditional annual performance review is becoming increasingly obsolete. Companies are moving towards more regular and informal check-ins, allowing for real-time feedback and adjustments. This shift is driven by the recognition that once-a-year evaluations do not adequately capture an employee's performance and can even negatively impact motivation.

Technology plays a crucial role here by enabling continuous performance tracking and providing platforms for ongoing dialogue between employees and managers. Real-time performance metrics and feedback mechanisms facilitated by employee monitoring software are becoming integral to this new approach.

Goal Setting: There is a trend towards setting more flexible and shorter-term objectives, reflecting the fast-paced and ever-changing business environment.

Technology aids in this process by offering online tools that allow for

dynamic goal-setting and adjustments. This approach ensures that employee efforts are aligned with the organization's current needs and can be quickly adapted as those needs change. The use of cloud-based applications and automation further supports this flexible goal-setting process.

Feedback and Coaching: The future of feedback and coaching lies in leveraging technology to facilitate more immediate and constructive interactions. Traditional feedback mechanisms are being supplemented or replaced by digital platforms that enable real-time feedback, peer reviews, and virtual coaching sessions.

These technologies allow for a more continuous and interactive form of feedback, which is essential for employee development. Moreover, AI algorithms and online platforms are being used to remove bias and improve objectivity in feedback, ensuring a more equitable performance management process.

Performance Data Analysis: The use of technology in performance data analysis is becoming more sophisticated, with a focus on providing actionable insights. Performance analytics software and HR systems are now capable of analyzing vast amounts of data to identify trends, patterns, and areas for improvement. This data-driven approach allows organizations to make informed decisions about employee development, succession planning, and organizational growth. Additionally, the integration of AI and machine learning technologies is expected to further enhance the accuracy and relevance of performance data analysis.

Challenges and Considerations: While the integration of technology in performance management offers numerous benefits, it also presents

challenges. These include the risk of data overload, potential employee resistance to technological evaluations, and the need to maintain a balance between technology and the human element of performance management.

Organizations must navigate these challenges carefully to ensure that their performance management systems are both effective and accepted by employees. The future of performance management is characterized by a more personalized, continuous, and data-driven approach, heavily supported by technological advancements. As organizations adapt to these changes, they will likely see improvements in employee engagement, productivity, and overall organizational performance. However, success in this new era of performance management will require a careful balance of technology and human interaction, ensuring that the systems in place support not just organizational goals but also the growth and development of individual employees.

As the number of gig and remote workers increasing, what challenges do you foresee in managing their performance, and how to address them?

AJ The rise of gig and remote work presents unique challenges for performance management, necessitating innovative approaches to ensure effectiveness and fairness. These challenges include ensuring fair treatment, integrating gig worker data into HR systems, managing remote workers' performance, and fostering a sense of community and belonging among dispersed teams. Addressing these challenges requires a multifaceted strategy that leverages technology while maintaining a focus on the human aspects of work.

Challenges in Managing Gig and Remote Workers

Fair Treatment and Inclusion: Gig workers often face challenges in accessing rights and protections afforded to traditional employees, such as protection against discrimination, harassment, or unfair termination. Ensuring fair treatment and inclusive policies is crucial for the well-being and productivity of gig workers.

Data Integration and Analysis: A significant hurdle in managing gig workers is the integration of their

data into core HR systems. The data is frequently changing, often unstructured, and lacks a direct connection to business outcomes, complicating performance management and strategic decision-making.

Performance Evaluation: The traditional parameters used to evaluate employee performance may not apply effectively to remote workers, necessitating the development of new metrics and evaluation methods that accurately reflect the contributions of remote employees

Worker Engagement and Retention: Maintaining worker engagement and retention in the gig economy is challenging due to limited direct interactions and the absence of a cohesive company culture. This can lead to lower job satisfaction and higher turnover rates

Communication and Collaboration: Managing a geographically dispersed workforce requires effective communication and collaboration tools to ensure that all team members are aligned and can work together efficiently

Strategies to Address These Challenges

Implementing Regulations and Providing Access to Benefits: To ensure fair treatment of gig workers, companies and policymakers should focus on implementing regulations that provide gig workers with access to benefits and protections similar to those enjoyed by traditional employees

Leveraging Technology for Data Integration: Utilizing software and digital apps that simplify complex processes can help integrate gig worker data into HR systems, facilitating better performance management and strategic planning

Developing New Performance Metrics: Companies should develop new metrics and evaluation methods tailored to the nature of remote work, focusing on outcomes and contributions rather than traditional measures of productivity

Fostering Community and Belonging: To improve worker engagement and retention, companies should use digital platforms and tools to foster a sense of community among gig and remote workers, providing opportunities for interaction and collaboration

Enhancing Communication Tools: Investing in advanced

communication and collaboration tools can help overcome the challenges of managing a dispersed workforce, ensuring that all team members are connected and can work together effectively. In conclusion, the future of performance management in the context of the growing gig and remote workforce will depend on the ability of organizations to adapt to these challenges through innovative strategies and the effective use of technology. By focusing on both the technological and human aspects of work, companies can create a more flexible, dynamic, and inclusive work environment that benefits both employers and workers.

Do you see the increasing role of coaching in performance management in the future?

AJ The increasing role of coaching in performance management is indeed anticipated to become more significant in the future, especially in the context of a VUCA (Volatile, Uncertain, Complex, Ambiguous) world. This environment, characterized by rapid changes and unpredictability, necessitates a more adaptive, supportive, and personalized approach to managing and enhancing employee performance. Coaching, with its focus on individual growth, continuous learning, and adaptability, aligns well with the needs of both organizations and employees in such a context.

Benefits of Coaching in Performance Management

Enhanced Growth and Development: Coaching supports the identification of an employee's growth areas and the development of new skills. It fosters a culture of continuous learning and adaptability, which is crucial in a VUCA world

Improved Performance Feedback: Coaching offers a more dynamic and bias-free approach to performance feedback. It facilitates open, constructive conversations that focus on development rather than judgment, leading to more effective performance improvements

Increased Engagement and Retention: Coaching has been shown to enhance employee engagement by fostering a sense of value and investment in their development. This, in turn, can lead to higher retention rates, as employees feel more connected and

satisfied with their work

Strengthened Manager-Employee Relationships: Through regular coaching sessions, trust and mutual respect between managers and employees are built, enhancing communication and collaboration. This is particularly important in remote or gig work settings, where building strong relationships can be more challenging

Personalized Performance Management: Coaching allows for a more personalized approach to performance management, acknowledging the unique strengths, weaknesses, and development paths of each employee. This individualized approach is more effective in motivating and developing employees than one-size-fits-all methods

Addressing Challenges in a VUCA World

In a VUCA world, the challenges of rapid change, uncertainty, and complexity require employees to be more resilient, adaptable, and proactive. Coaching can play a crucial role in developing these qualities by:

Encouraging Self-Reflection and Awareness: Coaching helps individuals gain insights into their behaviours, beliefs, and attitudes, fostering greater self-awareness and adaptability

Building Resilience: Through coaching, employees can learn to view challenges as opportunities for growth, enhancing their resilience in the face of setbacks and changes

Promoting Continuous Learning: Coaching supports a mindset of continuous improvement and learning, essential in navigating the complexities of a VUCA world.

The future of performance management in organizations, particularly in a VUCA environment, will likely see an increased emphasis on coaching. This approach not only addresses the immediate performance and development needs of employees but also prepares them to thrive in a world characterized by constant change and uncertainty. By focusing on individual growth, continuous feedback, and resilience-building, coaching can significantly enhance the effectiveness of performance management systems in supporting both organizational and employee success.

How conflicts and biases can be reduced while undertaking performance reviews?

AJ Reducing conflicts and biases in performance reviews is crucial for fostering a fair, transparent, and effective performance management process. Addressing these issues starts with clarity of purpose, alignment between stakeholders, and the right intent. Here are strategies and practices that can help minimize conflicts and biases:

Clarity and Purpose

Establish Clear Objectives: Performance reviews should have well-defined goals that are understood by all parties involved. This includes aligning the review process with the organization's strategic objectives and ensuring that both managers and employees are aware of what is expected from the review process

Alignment Between Stakeholders

Stakeholder Engagement: Engage all relevant stakeholders in the performance review process. This involves understanding and balancing the needs of employees, managers, customers, and the organization itself. Tools such as stakeholder analysis, surveys, and focus groups can be used to gather insights into stakeholder expectations and align appraisal criteria accordingly

Multi-Rater Feedback: Incorporate 360-degree feedback to include evaluations from supervisors, peers, direct reports, and other relevant parties. This approach provides a more comprehensive view of an employee's performance and minimizes individual biases

Right Intent

Positive Intent: Ensure that the performance review is conducted with the intent to improve the recipient's effectiveness and development. Feedback should be aimed at helping employees grow and succeed in their roles

Reducing Bias

Awareness and Training: Increase awareness of potential biases among those conducting reviews. Training sessions can help assessors recognize and mitigate their unconscious biases

Frequent Reviews and Real-Time Feedback: Moving away from annual reviews to more frequent or real-time feedback can help reduce recency bias and provide a more accurate picture of performance over time

Documentation and Calibration: Encourage assessors to take notes

throughout the year to avoid reliance on memory, which can be biased. Calibration meetings, where assessors discuss and adjust their ratings, can help ensure consistency and fairness. Appointing an overseer for the calibration process can also help maintain objectivity

Bias Monitoring: Regularly monitor ratings and feedback for patterns that could indicate bias. Performance management software can facilitate this analysis by highlighting trends across different diversity dimensions

Objective Evidence: Ensure that performance comments are supported by objective evidence, such as specific examples of work, to reduce subjective assessments

By focusing on clarity of purpose, aligning stakeholder interests, and maintaining the right intent, organizations can significantly reduce conflicts and biases in performance reviews. Implementing practices such as multi-rater feedback, frequent reviews, and bias awareness training further supports a fair and effective performance management process. These strategies not only enhance the accuracy and fairness of performance appraisals but also contribute to a more positive and developmental experience for all involved.

What common mistakes organisations commit that render the PMS ineffective?

AJ Organizations often make several common mistakes that can render their Performance Management Systems (PMS) ineffective. These mistakes can lead to a lack of clarity, misalignment, and ultimately, disengagement among employees. Here are some of the key mistakes to avoid:

Not Setting Clear Expectations: One of the biggest mistakes is not setting clear expectations for employees. Without a clear understanding of what is expected of them, employees can become disoriented and unable to focus their efforts effectively

Ineffective Employee Development: Another mistake is having a process that does not help with employee development. Performance management should be a tool for growth and improvement, not just an evaluation mechanism

Holding on to Low Performers: Allowing low performers to remain

in the organization without addressing their performance can be detrimental. It can affect team morale and overall productivity

Annual Reviews: Relying solely on annual reviews is an outdated practice that does not provide timely feedback to employees. This can lead to missed opportunities for improvement and can make the review process more reactive than proactive.

Single Grade for Performance: Giving employees a single grade or rating for their performance over an entire year can be overly simplistic and unhelpful. Employees need ongoing coaching and recognition of smaller accomplishments to truly develop.

Lack of Goal Visibility and Assessment: When goals are not visible or measurable, it becomes difficult for employees and managers to assess progress. This can lead to disengagement and a lack of direction.

Poor Integration of Technology: Using outdated or clunky technology can make the performance management process inefficient and frustrating for everyone involved. Modern, user-friendly systems can streamline the process and provide better insights.

Recency Bias: Focusing only on the most recent behaviors or achievements of an employee can lead to an unfair evaluation. It's important to consider the full review period.

Unstructured Evaluation Processes: Without a structured blueprint for performance management, organizations can struggle to achieve consistent outcomes and maintain business continuity.

Lack of Two-way Communication: Performance management should involve open communication between employees and managers. Without this, employees may not feel heard or able to contribute effectively to their performance discussions.

Outdated Performance Management Programs: Failing to keep pace with market trends and emerging employee demands can make a performance management system irrelevant and ineffective.

Compliance Risks: Poorly designed or implemented performance management systems can lead to legal risks and non-compliance with employment laws.

To avoid these mistakes,

organizations should focus on setting clear expectations, fostering employee development, addressing performance issues promptly, using frequent and multi-faceted reviews, integrating modern technology, avoiding biases, ensuring structured evaluation processes, facilitating two-way communication, staying current with trends, and being mindful of compliance risks. By doing so, they can create a more effective and engaging performance management system.

What strategies should organisations adopt to increase employee engagement through PMS?

AJ To increase employee engagement through Performance Management Systems (PMS), organizations should adopt a multifaceted approach that focuses on communication, growth and development, recognition and appreciation, and trust and confidence. Here are strategies based on these key components:

Frequent, Consistent Two-Way Communication: Implement regular one-to-ones between managers and team members to facilitate open dialogue. Weekly 15 - 30-minute catch-ups are recommended to ensure that discussions are two-way and not just manager-led directives. Providing a suggested agenda for these meetings can help structure these interactions effectively.

Focus on Career Goals and Skills Development: Managers should spend dedicated time discussing career aspirations and the skills and behaviours needed to achieve these goals with their employees. While many organizations conduct these discussions annually, doing so semi-annually can significantly boost employee engagement. It's also crucial to regularly review progress against personal development plans throughout the year.

Frequent Feedback and Positive Recognition: Incorporate ongoing, regular feedback into your performance management processes, aiming for at least every fortnight. Recognition should balance positive and constructive feedback, with research suggesting a specific ratio for effectiveness. Encourage managers to give specific feedback, explain the impact of the employee's actions, and, when possible, deliver in front of others to magnify its impact.

Instill Trust Through Leadership and Goal Alignment: Ensure that managers lead by example in performance management, including regular discussions on performance and personal development, giving frequent positive feedback, and adopting a coaching style. Additionally, involve employees in setting their objectives that align with organizational goals, rather than top-down goal assignment, to foster a sense of ownership and alignment with the company's direction.

Additional Strategies

Leverage Performance Management Technology: Utilize modern, user-friendly performance management software to streamline the process, and facilitate real-time coaching, feedback, and performance reviews. This technology can help tie all the components together, making it easier for managers and employees to engage in meaningful performance management practices.

Set Clear Goals and Objectives: Use frameworks like OKRs (Objectives and Key Results) or SMART goals to define clear, measurable objectives. Encourage employees to suggest and create their own goals that align with company objectives, fostering a sense of ownership and engagement.

Provide Opportunities for Growth: Offer training and mentoring opportunities to help employees feel valued and invested in their work. This not only aids in their professional development but also enhances their engagement by showing the organization's commitment to their growth.

Encourage Employee Participation: In the goal-setting process, ensure that employees have a say in the goals they're working towards. This participation helps build a sense of ownership over their work and aligns their achievements with the organization's success.

By focusing on these strategies, organizations can create a performance management system that not only drives high performance but also significantly increases employee engagement. This approach requires a balance of clear communication, continuous development opportunities, regular recognition, and a strong foundation of trust and confidence between employees and management. **EM**

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