Revamping the People Performance Management System (PPMS) for FLEM (Frontline Executives and Managers)

Workforce - A RESEARCH PAPER

T. Muralidharan, Practice Leader, People Performance Consulting
Harish Tadinada, People Performance Analytics
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Executive Summary

Amongst all people processes, the most discredited and outdated is People Performance (PP) Management. The current Performance Management System (PMS) consisting of KRA, KPI, Balanced Scorecard and Annual Performance Appraisals as a single method of PPM has failed, especially at the FLEM level. The proof of the failure of current PMS, is the huge performance variance between top and bottom performers - in the same FLEM role, in the same company, with the same job context, with the same entry gate AND with the same vintage. This research paper proposes an alternative model which uses a more diversified measurement of outcome plus output and a framework for PP Management which is data driven. The authors have listed the 8 components of the new PPMS and have highlighted the difference between the Old PMS and the New proposed PPMS - along the 6 pillars of PMS. In the second booklet, published along-with this booklet, the authors have tried to apply the model to a few case studies to demonstrate the power of this model which covers all the components of PPM. The authors argue that Performance data reveals what is really happening on the ground and the older theories must be cast aside if the data reveals an opposite reality.

Abbreviations

1. PP: People Performance
2. PPM: People Performance Management
3. PMS: Performance Management System
4. PPMS: People Performance Management System
5. PPA: People Performance Analytics
6. POI: Performance Output Indicator
7. KRA: Key Result Area
8. KPI: Key Performance Indicator
9. FLEM: Front Line Executives and Managers
10. ABC: Activity Based Costing

Broader definition of FLEM workforce

In the future, employee definition would change – it could mean a gig worker or an off-roll employee or a part-time employee or flexi-time worker as much as a full-time worker. Each come with a different set of expectations from the employer. The responsibility of extracting performance daily becomes very important in these cases. In the future, remote working employees would require daily or weekly output and input measurements to ensure performance.

Our research in BFSI and the Service industry reveal that more than 60% of the workforce in any organisation are FLEM Workforce, when you apply the broader definition. These are foot soldiers who deliver, and they work in repetitive roles in field sales, customer service, retail and operations. The FLEM workforce is of four types - On Roll, Outsourced Rolls (temp staffing) and Off-Rolls (work with partners like sales distributors) and Gig Workers. The modern FLEM includes all forms of employment – full-time, part-time, contractual and Gig. For example, the largest work-force in the Life Insurance industry are Insurance agents who are gig workers.

What is common to all FLEM workforce is the repetitive nature of their work which are very well defined and focused. The outcome come ONLY from a set of tasks and sub-tasks that the FLEM must do, daily.

Key Tasks and Key Sub-tasks in PPMS

It is also important to recognise that FLEM performance arises directly, from daily effort in the key tasks and key sub-tasks of each role. Generic knowledge and skills will not result in performance unless these are relevant for key tasks and key sub-tasks and more importantly, are applied while executing these key tasks and key sub-tasks. This PPMS model proposed is based on performance in these key tasks and key sub-tasks and hence is ideally suited for FLEM workforce only.

Failure of the Current PMS especially for FLEM

Let us start with a huge claim – our Performance Management System for FLEM workforce which most employers use to measure, reward and counsel the workforce on performance, <u>has failed miserably</u>. Why has the PMS failed and how do we know that it has failed?

Did you know that the current People Performance Management (PPM) has been around for centuries? Chinese civil servants had performance ranking in the third century. Officers in the Napoleonic wars were subject to 360-degree reviews. In USA, Performance Rating Act of 1950 set the goals of PMS to – recognize merit and contribute to efficient operations, to strengthen the supervisor subordinate relationships and to improve individual effectiveness. The Incentive Rewards Act of 1954 in USA authorized honorary recognition and cash payments for superior accomplishments, suggestions, special efforts or services or other personal efforts.

Prof. Robert Kaplan and David Norton laid out the balanced scorecard method and linked it to people performance measures.

Drs. Robert Kaplan and David Norton published the Balanced Score Card (BSC) in 1992 as a strategy implementation tool for any Business entity. The balanced scorecard was developed primarily as a business performance measurement tool and even today it is relevant. Unfortunately, many organizations have extrapolated this model to People Performance Measurement by cascading the KRAs and KPIs from business to a team and to an individual through a goal alignment process. HR teams have institutionalized the PMS system and today many PMS platforms exist to implement the PMS system. But this extrapolation is the root cause of the ills of the PMS for the FLEM workforce.

Current status of Annual Performance Reviews

In an article published in 2016, two authors presented their findings of their research in USA under the titled "The Evolution of Performance Management" in Human Capital Media.

PSYCHOLOGICAL IMPACT

Fight or flight mode
- **50% surprised at their rating**
- Of those, **90% are unhappy** because they expected a higher rating - their **engagement drops by 23%**

Fixed mindset vs. growth mindset

Source: Human Capital Media, Sep. 22, 2016

India story is no better

As a recruiter we call the PMS letter distribution day as the "bluesday". The largest number of calls, in a single day, are made to recruiters, on that day. 95% of the employees who have not received their promotion letters believe that they have been short changed. Almost every employee believes that the increment is inadequate, and they are underpaid. Even the promoted employee believes he or she is undervalued by the company. Most employees feel that their boss has been unfair to them and has remembered the faults and failures and has not considered the great work done.

How do we know that the PMS has failed?

To answer this question, we must start by understanding what is the purpose of the PMS. Let's see what the expected outcome of PMS were and compare with the actual outcome. People PMS were introduced to recognize merit and contributions to efficient operations, to strengthen the supervisor subordinate relationships and to improve individual effectiveness. Against these lofty goals, the actual realities on the ground are the opposite. But the ultimate failure of the PMS is a hard fact, of huge performance variation, which seals the argument that PMS has failed.

We recently discovered a shocking fact about FLEM Performance

"The variation of performance within the Front-Line Executives and Managers (FLEM) cohorts (in the same role and with the same tenure) is upwards of **10x to 84x**. See the performance distribution plots – called TMI plots – of four organisations, spread across multiple industries. These plots, are two dimensional plots of cumulative average performance vs residency of a cohort of peers – people who do the same role, in the same company, with similar work environment, who pass through same recruitment gates and who were inducted identically below to understand this anomaly.

FMCG MAJOR – FLEET ON STREET SALES TEAM

Plot 1: Residency vs Average Incentive (22 Months)
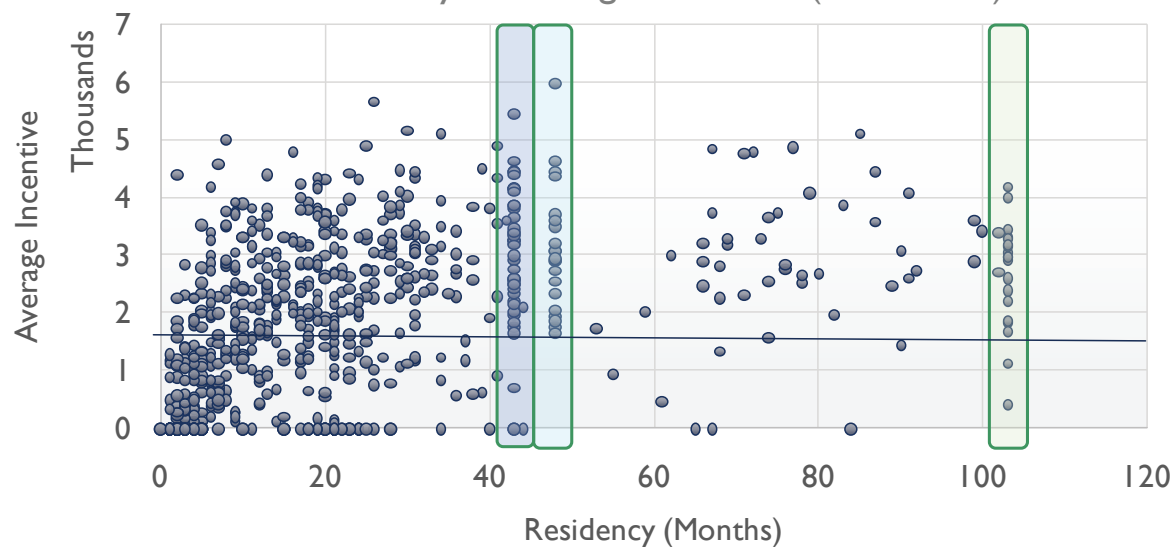
Currently Active	Min CAM Incentive	Max CAM Incentive	Performance Multiple
Residency 103 Months	414	4208	9.2
Residency 48 Months	1658	5984	2.6
Residency 43 Months	719	5464	6.6

Cohort size : 705
Cohort Average: 1975

RETAIL BANK MAJOR – ASSETS (AUTO LOANS) SALES TEAM

Plot 2: Residency vs Cumulative Average Performance
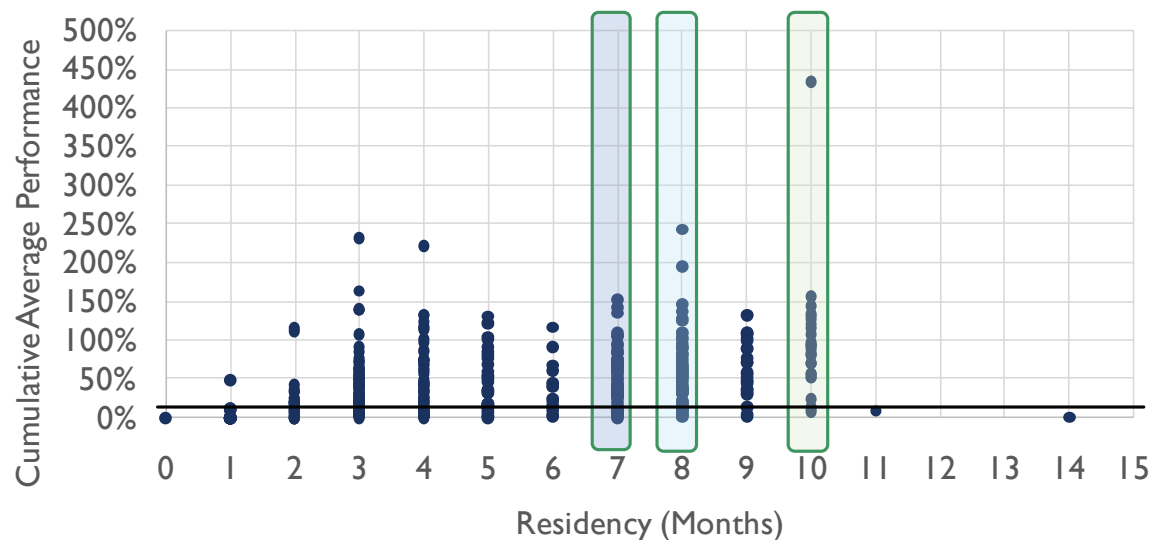
Currently Active	Min Performance	Max Performance	Performance Multiple
Residency 10 Months	12%	434%	36.2
Residency 8 Months	4%	243%	60.8
Residency 7 Months	2%	152%	76

Cohort size : 504
Cohort Average: 47%

LIFE INSURANCE MAJOR – SALES TEAM PERFORMANCE

Plot 3: Residency vs Performance (20 Months)
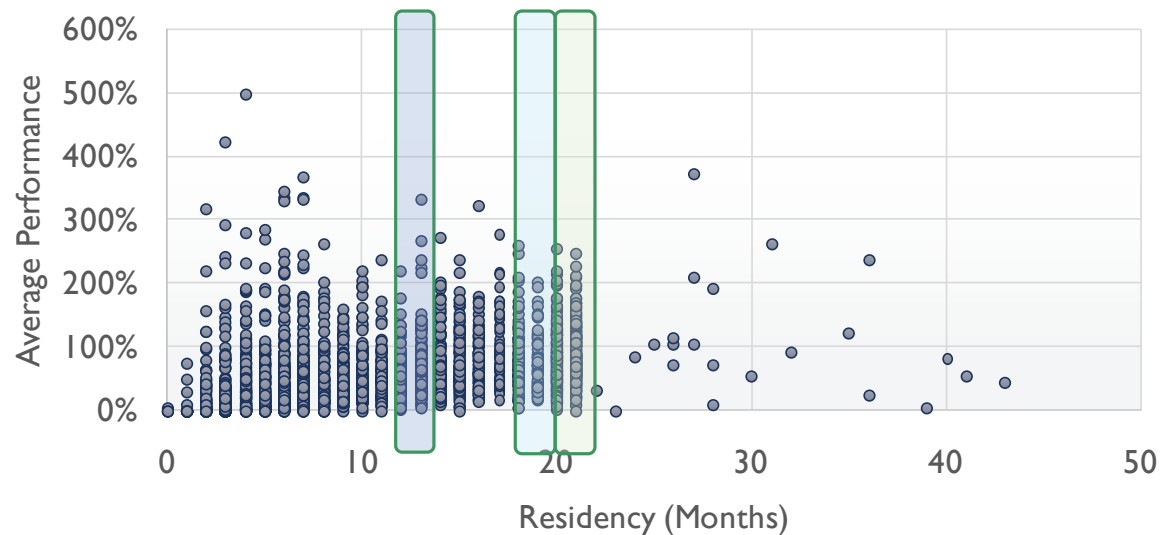

Currently Active	Min Performance	Max Performance	Performance Multiple
Residency since 21 Months	20%	228%	11.4
Residency since 19 Months	5%	209%	41.8
Residency since 13 Months	7%	334%	47.7

Cohort size: 2462
Cohort Average: 64%

HOME LOAN MAJOR – HOME LOAN SALES TEAM

Plot 4: Residency vs Cumulative Average Monthly Performance (6 Months)
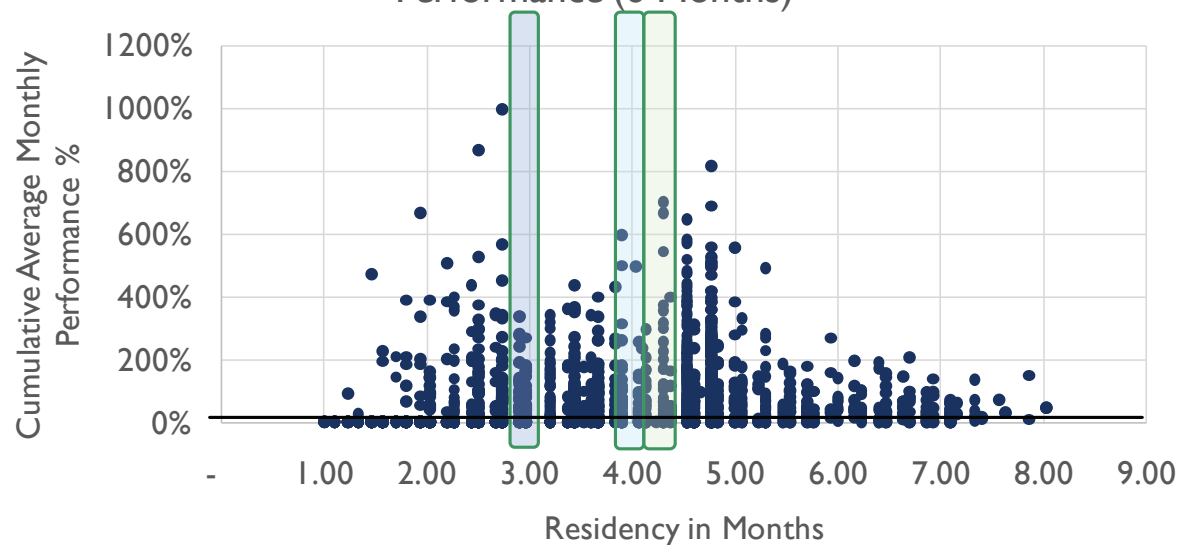
Currently Active	Min CAP	Max CAP	Performance Multiple
Residency 5 Months	5%	815%	162
Residency 4.5 Months	10%	646%	63.6
Residency 3 Months	6%	269%	43.8

Cohort size: 2148
Cohort Average: 58%

Cost of Huge Performance Variation

In one of our case studies, we discovered that 40% of the cohort members contributed to 87% of the total outcome achieved by the entire cohort. This means 60% of the employees are a huge drain on the HR budget but produce very little outcome. This is untenable for any business organisation.

HR Blindspot

HR teams often use **Average performance** of the entire cohort as the main performance indicator of the entire cohort. This is a fatal flaw especially when the performance variation is huge. We believe the variation in FLEM performance, measured as Performance Multiple, is a key indicator of the cohort performance, but has never been included as a KPI and hence is a serious blind spot and must be addressed immediately.

Need to build a new PMS for FLEM

TMI Group organised on Oct 12th, 2021, a webinar on EMPLOYEE OF ONE in the context of People Performance. The three speakers - Dr. Santrupt Misra (Aditya Birla Group), Shri Rajesh Dahiya (ED Axis Bank) and Shri Krishna Kumar (Retired Chairman Coca-Cola) in addition to Shri Ravi Ramakrishnan (Group CEO, TMI Group) spoke.

They all converged on the following in terms of Future of HCM in People Performance within organisations:

1. People Performance will be the focus for all types of employees including gig-workers, part-time workers, contract workers, virtual workers

2. People Performance definition and its measurement is fuzzy and must be curated for each role and each person. We need to understand "How performance happens" in-depth. This is called People Performance Modelling. This is urgent and must be done immediately. Current models in setting performance goals are not scientific and will require major rework.

3. Huge variation in People Performance within cohorts (people in same role with the same vintage with same entry conditions) is a big issue and is a symptom and must be addressed now.

4. People Performance Measurement is not enough. We need corrective action.

SPEAKERS

Chief Guest
Dr. Santrupt Misra
Group Director - Birla Carbon; Director - Chemicals and Director- Group Human Resources, for the Aditya Birla Group.

Special Guest of Honour
Rajesh Dahiya
Executive Director, Axis Bank

Special Guest of Honour
T. Krishnakumar
Retired Chairman, Coca-Cola India Inc.

Speaker
Ravi Ramakrishnan
Group CEO, TMI Group

5. This corrective action requires people performance modelling based on analytics of actual performance data and various causative factors - obvious and not obvious.

6. Data analyses must be based on "what we don't see" in addition to "what we see" and must be based on data patterns and complex data visualization. It should connect the dots we don't see.

7. People Performance Modelling must help in identifying the root cause of low performance. This root cause will vary from person to person and from time to time. Hence, performance modelling must be "dynamic and real time".

8. People Performance Modelling should lead to predictive performance analytics which is the key value-add that HR will bring to the leadership table.

9. People Performance Analytics should read to better recruitment policies, learning strategies and reward and recognition systems, employee engagement systems etc.

10. People Performance modelling is complex because performance is impacted by many factors - internal to the employee, internal to the organisation and external to organization. It requires competencies in data science in addition to deep insights on human behaviour.

11. The corrective action - micro solutioning for an EMPLOYEE OF ONE - must be based on the root cause and hence will vary from employee to employee. It must be "co-created" between the supervisor and the concerned employee. This is the primary role of the supervisor. HR must play a key role in making this happen.

12. Then we must create an enabling environment to implement the micro solutioning and then monitor its execution.

13. Technology will play a key role in people (activity, input & output) measurement and in data analytics including data visualisations. Without technology "micro analytics and micro solutioning" is NOT possible.

14. Thus, HR role in People Performance must move from the current Performance Review systems to performance modelling, predictive performance analytics and micro performance enhancement.

Building a new Model – PPMS

Purpose of the New PPMS

Before we build the NEW PPMS, we must redefine its purpose. PPMS purpose is not just to differentiate people and reward them differently. This is one of the core purposes. But an equally important purpose is to motivate the FLEM to improve performance through effective feedback and to make PPM more transparent and acceptable to FLEM. More importantly, any modern PPM system must move towards a self-evaluated and self-assessed system for the FLEM, where data speaks for itself, and the supervisor needs to only supplement the data.

PPMS is for whom?

The main beneficiary of current PMS is the supervisor and the business unit. The new PPMS will have two beneficiaries - the supervisor & the business and the individual who is at the centre of PPMS. Obviously, it is the individual who can bring about an improvement in his/her performance and hence this emphasis.

Definition of PPMS

PPMS is a system which collects performance data, periodically, analyses it and presents the performance data in an easy to comprehend visual way to make it acceptable to the FLEM individual. In addition, the PPMS will generate the analytics required for the supervisor to guide the FLEM and generate reports for the business unit. PPMS must identify the performance gap at an individual level and should point to the root cause of the same. The periodicity of the PPM is aligned with the nature of the business and the Role on which FLEM are involved but it is driven by the need to do course correction, in time, to achieve the business outcomes.

Building Blocks of the New PPMS for FLEM:

There are 8 components of the new PPMS as given below

1. **Role clarity and role centricity:** PPMS is role centric and so the first step is to create a role description in detail. PPMS methogology will be the same, but the norms and the measurements will vary from role-to-role.

2. **The right PP metrics:** The PPMS recognises three aspects of PP viz Effort, Daily / Weekly Output, and Outcome. The Outcome is defined by the Business which includes KRA, KPI etc and are captured in the role description form. The effort

is often in terms of time spent which generates daily outputs. For example, for sales executive selling home loans, the Outcome may be value of loans and number of loans disbursed in the preceeding month. The daily output may be the number of prospects met, number of partners (connectors met) etc. It is important to note that all the outputs are not equally important. Only a few outputs which have a huge bearing on the outcome are important. Which are the crucial daily outputs? These will be determined by The ABC costing based Role modelling and the statistical modelling described later.

3. **Restriction of study period:** PPMS is always linked to a study period which has a clear beginning month and an end month. All the performance data pertains to this period. The conclusions reached are valid ONLY for the dataset. Hence, the study must be done periodically, and the conclusions may change significantly, primarily because the context of work of FLEM is changing rapidly. All the data outside this period is not included in the dataset.

4. **PP modelling:** One of the challenges in PPMS is to define the relationship between effort, output and outcome which can be done in two ways. The first method is to determine the "cause and effect" between the three. This is called ABC. The second method is relationship modelling also called statistical modelling which only looks for relationship (not cause and effect) between output and outcomes which is explained later.

5. **Activity-Based Costing** (ABC) is a costing method that identifies activities in an organization and assigns the cost of each activity to all products and services according to the actual consumption by each. CIMA, the Chartered Institute of Management Accountants, defines ABC as an approach to the costing and monitoring of activities which involves tracing resource consumption and costing final outputs. Resources are assigned to activities, and activities to cost objects based on consumption estimates. The latter helps in identifying cost drivers to outputs. Originally ABC was used in manufacturing as costing model. Later, software industry adopted this model to arrive at the cost of component-based software engineering. But this model has rarely been adopted in FLEM roles. We found that ABC costing model in FLEM roles provides insights on:

- What are top cost elements which contribute to 80% of the effort, in any role (List 1)

- What are top 10 sub-tasks that have the highest failure cost. Since many of the tasks are sequential, failure in any task at a later stage, which cannot be rectified, is very expensive compared to the same task in the early stages of the process. (List 2)

- A judicial combination of the tasks from the above two lists, are key tasks for that role (List 3)

- The key sub-tasks in each of the Key tasks, in List 3, will be the key sub-tasks for that role (List 4)

- Daily Performance Output Indicators (POI) are the quantity and quality indicators on how these key sub-tasks (List 4) are executed

- What is the time utilisation of FLEM in various types of support activities – like meetings, research and preparation

- What is the capacity utilisation of various stake holders in any process and this helps in manpower capacity planning

  The ABC starts with listing down the process steps. At each process step, identify the Activities and Tasks that must be performed. For each task, list the sub-tasks in detail. Then identify the time required from each stakeholder (including the role holder being studied) involved in the sub-task and list

the other resources like software required for the sub-task. The next step is to identify the frequency of occurrence of the sub-task. This requires an understanding of the funnel in each sub-task. When you repeat this step for every sub task involved, you will get the consumption of all resources for unit output of the process. Based on the manpower and other resource costs, you will arrive at the ABC for the process and the role. This will lead to the insights referred earlier.

6. **Statistical Modelling:** This is the second method which tries to determine the statistical relationship between the crucial outputs determined by the ABC model and outcomes. This requires data on both outputs and outcomes over a period of time. This will validate the ABC model and help in prioritising the Key sub-tasks and the POI suggested by the ABC model. This may also suggest changes in the Output metrics which have a high relationship with the outcomes for that role.

7. **PP Data Cleaning**

This is preparatory step to PPA. Data comes from various sources and many times it is inaccurate when it is recorded. For example, there will be data entry errors despite data entry controls. Data cleaning reviews all the data, identifies outliers and inconsistent data and removes the same, from the analyses. It also looks for completeness of data and takes corrective step.

8. **PP Analytics and Reporting**

The PP analytics is made on the principles involved as described later. The Analytics must be visual and easy to comprehend. The analytics can be done both on Outcomes and Outputs – depending upon the data availability. This data must be made available for every FLEM worker.

9. **Performance Enhancement**

The result of PP analyses is to identify the root cause of non-performance by identifying the key sub-tasks (List 4). Top performers may be executing these key sub-tasks differently than the poor performers. We need a methodology to extract the best practices - how the top performers execute the key sub-tasks – and incentivise the poor performers to adopt then. We need a tracking system to track the implementation of these best practices.

PMS vs PPMS

The below tables demonstrate the fundamental differences between PMS (old system) and PPMS (new system) on the six pillars of any performance

PMS vs PPMS			
Pillar	**Dimension**	**PMS**	**PPMS**
Purpose	Stated goal	To help EVEYONE ACHIEVE target. Since everyone has a different demographic and performance profile, most miss the target	To help EVERYONE IMPROVE their performance
Assessment Process	Who does the assessments	Supervisor driven	Individual + supervisor driven
	Periodicity of performance tracking	Monthly/quarterly	Daily self Review
	Motivation levels of asessee after asessment	Very demotivated because the assessments are often combative	Motivation happens when individual sees a workable path to improve performance and sees the performance improvement. Motivation also comes from Relative assessment of self, visually
	Objectivity of assessment	Despite objective measurements, most employees believe it is subjective	Objectivity will only come from real time performance data

PMS vs PPMS			
Pillar	**Dimension**	**PMS**	**PPMS**
Performance Metrics	KPIs as metrics	KPIs are driven by enterprise goals and are outcomes which depend on many factors beyond the employee control like competition etc. Employees are frustrated when their effort outputs does not lead to outcomes	Need a mix of OUTCOME (lag indicators) and OUTPUT (lead indicators) for PPMS. The lead indicators must have a strong correlation to Outcomes
	Relevance of metrics for performance tracking	KPI are lag indicators. They can tell what went wrong but cannot tell how to make up	Performance review of OUTPUT indicators provides opportunities for corrective action to achieve the outcomes - because they are lead indicators
	Individual metrics vs aggregate metrics	Aggregate metrics often hide ground realties the realities	Drill down to the individual

PMS vs PPMS			
Pillar	**Dimension**	**PMS**	**PPMS**
Performance Feedback	Focus on KPIs vs focus on corrective action	Focus is on outcomes which drives jugaad behaviour	Identify the root cause "critical sub-task"
	Benchmarks for comparison	Performance comparison is with the target	Relative performance reduces defensiveness
	Actionability of the feedback	Not actionable since root cause and solutions are not identified for each employee	How2 videos by star performers in that root cause sub task will make feedback actionable
Corrective Action	Root cause analyses of non-performance	Missing	Identify the root cause "critical task"
	Corrective solution based on real time data	Corrective solution is a PIP (Performance Improvement Plan) which is seen as an exit warning	Each individual will get a different correction path
	Implemenation of corrective solution	No support system	Peer support system of role practitioners

PMS vs PPMS			
Pillar	**dimension**	**PMS**	**PPMS**
Rewards	Ease of implementation	Easy to implement - One "shoe fits all" kind of reward system. Low performers not excited	More difficult to implement - Cohort based incentive system to encourage improvement rather than hitting the goal
	Rewards coverage	By linking incentive to target achievement, only star performers are benefitted	By linking incentive to performance improvement, everyone is benefitted

Conclusion

The authors have built a case for rewiring the Performance Management system for FLEM based on the ground realities evident from the real-time performance data. The authors recommend a new approach to Accelerate People Performance of FLEM employees through two new data-centric models:

1. New model for People Performance Measurement and Analytics

2. Role Modelling for Role Mastery

The benefits are obvious – to reduce the Performance Multiple between top and bottom performers and to increase the performance of the entire cohort of FLEM employees.

An accompanying document titled "Accelerating People Performance of FLEM employees through two new Models - A data-centric model for People Performance Analytics and a New Modelling Approach for Role Mastery" elaborates these two models.

About TMI Group in FLEM

TMI Group is probably the only Talent Management Group in India that has extensive expertise on the entire talent supply chain for FLEM workforce, as can be seen in the diagram below:

People Performance Consulting and Analytics

Mobilization/Sourcing → Assessment → Recruitment process management → Onboarding → Role-based productivity training → Induction & Upskilling → Staffing

Employer Branding

Learning Content   Learning Technology

We are the ONLY group that is presently offering solutions in all the components required to solve the FLEM performance and attrition problem. TMI has hired and inducted over 200,000 FLEM workforce in the last 10 years.

TMI Group 2.0

TMI Group 2.0 is dedicated to PEOPLE PERFORMANCE CONSULTING (PPC) with special focus on the FLEM force – both employees and outsourced workforce. We will be working on the following domains of PPC:

- **Role Modelling for Role Mastery**

- **People Performance Modelling** (PPM) based on the latest statistical and mathematical modelling techniques

- **People Performance Measurement Apps** for measurement of Lead indicators of Performance

- **People Performance Analytics (PPA)** based on contemporary techniques of AI and ML

- **People Performance Visualisation** to discover counter intuitive insights based on the best visualisation tools

- **People Performance Enhancement** based on the contemporary theories on learning science

- People Performance Enhancement based on **automation of people processes** based on the latest Robotic Process Automation techniques

- **TMI will focus on FLEM workforce both on the employee rolls as well as temp staffing rolls**

Revamping People Processes for Performance in TMI 2.0:

TMI believes this new approach of PPC will completely revamp the following aspects of FLEM performance and retention:

- **Hiring for Performance**
- **Inducting for Performance**
- **Continuous Up-Skilling for Performance**
- **People Performance Modelling-based Performance Incentives and People exit policies**
- **Root cause and corrective action-based Performance Reviews**
- **Performance Enhancement based on "on-the-job" role mastery**

Please visit **www.tmigroup.in** for more details

TMI new offering under TMI 2.0 - FLEM ONE

TMI Group is has an exciting offer- To take over the following aspects of FLEM employees in Year 1 of their residency in the enterprise. TMI will optimise – Hiring, On Boarding, **Induction, Performance Activation, Performance Tracking and reports, Performance Acceleration and Off-Boarding** – all under one roof. This will help in optimising Total cost of Employment in Year 1 instead of optimising individual cost elements.

Write to **tmd@tminetwork.com** for the copy of the second report.

Synopsis

Our research in BFSI and the Service industry reveals that more than 60% of the workforce in any organisation are FLEM Workforce. These are foot soldiers who deliver, and they work in repetitive roles in sales, customer service, retail and in operations. The FLEM workforce is of four types - On Roll, Outsourced Rolls (temp staffing) and Off-Rolls (work with partners like sales distributors) and Gig workers

Authors start with a huge claim – our Performance Management System (PMS) for Front Line Executives and Managers (FLEM workforce) which most employers use to measure, reward and counsel the workforce on performance, has failed miserably and is outdated. One of the main reasons for the failure is the current method of aligning individual goals to business goals.

The evidence is simple. Authors' studies with multiple companies show that the variation of performance within the FLEM cohorts - in the same role, in the same company, with the same job context, with the same entry gate and same induction process, AND with the same tenure) is upwards of 10x to 84x.

HR teams often use average performance of the entire cohort as the main performance indicator of the entire cohort, because it is convenient. This is a fatal flaw, especially when the performance variation within the cohort is huge. We believe the variation in FLEM performance, measured as Performance Multiple (between the top band of performers and the bottom band of performers) is also a key indicator of the cohort performance, but has never been included as a KPI of the supervisor of the cohort and hence is a serious blindspot and must be addressed immediately.

This research paper proposes an alternative People Performance Management System (PPMS) which uses a more diversified measurement of outcome plus output and a framework which is data driven. The authors argue that Performance data reveals what is really happening on the ground and the older theories must be cast aside if the data reveals an opposite reality.

The authors recommend a new approach to Accelerate People Performance of FLEM employees through two new data-centric models.

1.   A new model for People Performance Measurement and Analytics

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