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Rajendra Ghag completed his Masters in Personnel Management way back in 1986-87 in addition to his commerce graduation and Law (LLB-Gen) degree as an academic qualification. He has more than two and half decades of rich work experience mostly in large Indian and multinational companies. During his previous employment with DHL Express, as Head of HR for India and Senior Advisor - Quality and Processes (First Choice Programme) for South Asia, Rajendra was one of the important members of the board and has travelled extensively across the globe as trainer as well as participant of various management conferences. He brings with him huge perspective not only in HR domain, but also in the overall business management area due to his six sigma and process management expertise. Rajendra is also a certified Change Management trainer and considers People Engagement as his forte.

**T**he Nest case is no different from what many organisations that transition into such new processes. It is a clear issue of an absence of change management process when such an important change was brought about.

The organisation that has been working with more than 5 percent growth with reasonable profitability would find it very difficult to adopt to the change, particularly the one which deals with the people, their aspirations and emotions.

Performance Management for any organisation is not just an HR functional process but it is an important organizational enabler. The President, when pushed with competition and pressure on cost and as a result

on bottom line has suggested (assuming) many initiatives and one the important one was revisiting the existing performance management system in the company. The mistake that many existing organisations do when they are faced with such situations is to know or get to know what some others players in the industry has done with some hear say about their success storey with a particular intervention and try to push the similar one in their own organisation. While it may be true that the organisation do require urgent intervention of such sort but it can't be just adopted without analyzing different circumstances and situation.

In fact, in my view the first thinking about changing the performance management system or bringing in the

pay for performance concept should be discussed in the top most level of Management at the time of business planning discussions. The entire top management where all functional representatives are present would then get to know and deliberate the need for such an intervention and benefits of the same if executed well. This is what I consider as the first step of change management to make any change successful. For any change particularly when it comes to impacting people, following three/four levers are most important; a) Creating Shared Need, b) Developing Vision, c) Mobilising commitment and d) Continuous planned communication during all these phases. There are others like providing infrastructure and resources etc. Yes, not to forget; the Leadership plays an overarching role in all these levers in managing change particularly like the one brought by Nest.

Now, if we analyse the Nest issue with respect to its newly launched performance management system with the above change management philosophy, it clearly talks about the leadership to start with. If the management/president had clearly articulated the shared need for such intervention with facts and the likely benefits other stake holders look at it positively. Each of such changes go through the lot of deliberations at that level, however once it gets agreed it becomes a "Shared Need" and every one takes it as their own requirement instead of terming it as the forced one. Similarly, the group which has the HR representative as well also articulates the future state i.e. clearly debating as to what would change for positive if we execute the change effectively. This is called "Developing Vision". If at the highest level these two levers are debated and accepted it easily brings in the commitment from the stake holders who are participating in such debate. In Nest case, I am sure someone like Mahesh would have been part of it. As mentioned earlier, if organisation has a culture of communication and cascade of required information, such changes are also communicated appropriately with its What, How, When and WIFFM to get maximum buy in.

Perna as an HR catalyst could play an important role in getting this debated at that level to create such shared need so that she could have avoided the issues that cropped up.

Now that the Sales organisation has already brought up the issues and I am sure other functions would also have similar grievances, there is no other way in my view than to go back to the drawing room for next cycle right at the time of start of the year business planning and working on the requirement again with change management concept mentioned above. In fact, with the learning out of the issues already raised, it would be little better for Perna to look at what is being taken up and why so that the same can be addressed.

One point should be borne in mind here that there is nothing wrong with what of change in most cases, it is the how of change with respect to stake holder management that make the change fail. One of the researches proves that people generally resist change due to one of those four quadrants of resistance i.e. a) Security/Insecurity, b) Comfort/discomfort. c) Status/power and d) Benefits/WIFFM and hence it is important for the change agents or management to know who are such stake holders and which boxes they are and how quickly they should be communicated to come out of it so that they do not resist change. By the way, resistance to change does not necessarily visible in negative but it

remains there in the system with hearing loud 'NO' delaying the entire process.

Knowing this, Perna should ensure that Shared need for the new performance management system is articulated clearly at the top most level with some facts. In this case, I am sure President of Nest would have looked at the previous years` performance numbers; both top line and bottom line vis-à-vis competition and had some views. There could be an issue of lower top line growth and

higher cost ratio against the plan creating pressure on bottom line. This should be the trigger point at the president level to explain to the colleagues that as an organisation they have`nt performed as required and it will be difficult to sustain the same level of costs including the people cost. Then there could be debate on issues like market conditions, overall performance of nest and its leadership etc. These rationales help create the shared need to ultimately mobilizing commitment from the stake holders for such important change.

Once the commitment at the top most level is garnered, it will be easy to then cascade it down with well planned "What" of change with effective communication around "How" of the change coupled with time lines and monitoring. This should then be followed by ensuring that organization` overall goals are connected to each of the functional goals with measurable KPIs which should be clearly articulated and communicated to all concerned at the start of the year. The success of any performance management system lies in if the employees clearly know at the start of the year as to what are they chasing and what would they achieve (including compensation) if they reach a particular level of performance. Perna should ensure that senior HR team does the road shows on how to conduct the performance appraisals including how the ratings will be given and how the same will be moderated with respect to its bell curve force ranking etc.

There are best of the processes around performance management system available in the HR book; however in my view, it will be wrong to assume that it will fit in the organisation without having any reference to the Leadership and softer aspects mentioned above.

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