

Course Name: AI in Human Resource Management

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Week - 03

Lecture - 07

Lecture 7: Role of AI in Performance Management

Hello, learners. Welcome back to the course on AI in human resource management. Today, we move to the third module, where we'll start with a discussion on AI, artificial intelligence in performance management, onboarding, and person-job fit. So this will be part one of the specific section, which will deal with AI in performance management, onboarding, and person-job fit. I'm Dr. Abraham Cyril Issac. I'm an assistant professor at the School of Business, Indian Institute of Technology, Guwahati. Now, when we look into human resource management per se, there are different functions. And specifically, performance management is one of the key areas of any human resource management practice. It has been established as one of the vital functions of the HR domain. When you look into performance management and human resource management specifically,

It refers to a continuous process of setting goals, assessing the progress after that, and providing ongoing coaching and feedback. Now, we'll try to dissect this and understand it further. But when we look into performance management, we should understand what the is rationale behind such an activity. Anything which cannot be measured cannot be improved. Anything which cannot be quantified might just go away or might just vanish into thin air. This is the basic rationale where we are trying to bring in performance management into picture, and it is not just performance appraisal. It is not just measuring the performance. It is much beyond that now. It has a certain human resource management perspective, but my scope here would be to look into the involvement of artificial intelligence specifically in performance management, how we can decipher the performance management, how we can actually measure the performance of an individual in a more objective manner, in a more versatile manner.

But for that, we need to specifically understand what performance management is typically all about. So let's dissect the whole topic of performance management and gradually delve into AI in performance management. When you look into performance management per se, as I already mentioned, it is a continuous process of setting goals. Now, this goal setting is vital when it comes to performance or any of the performance management aspects. It also looks into, let's say there is a particular goal, let's say goal G, how the progress has been for that particular individual and providing ongoing coaching and feedback to ensure that the employees meet their performance objectives and align with the organizational goals.

I would underline and circle this alignment with organizational goals because this is particularly where in human resource management there is a concept of strategic intent. Where you will try to align your personal objectives with the organizational objectives or the organization goals. Many a time what happens is that an individual is in the organization for his or her personal gain. His or her personal goals take precedence. So they take supremacy over the organizational objective, which is a wrong practice. So, this is where performance management also pitches one notch higher. It comes up as a better alternative. It comes up as a one-stop solution when you understand. That your or the individual's objective should come into alignment with the organizational objective. It should not go off on a tangent.

So this is what I would like to emphasize. Performance management aims to develop the capacity of employees to meet. And exceed expectations, and to achieve their full potential to benefit themselves and the organization. So this specific benefit, not only for themselves, but also for the organization, happens as a result of strategic intent. If you look into performance management carefully, it involves setting very clear expectations. These are some of the vital aspects that I would like to emphasize. Clear expectations. When you are looking into clear expectations, you are also looking into evaluating performance and guiding employees' development to enhance their skills, employability, and productivity overall. So, when the process of performance management is analyzed, It can be understood that it is designed to improve individual and organizational performance by actually fostering a culture of accountability, improvement, and growth

for that matter. So, performance management unequivocally aims to develop the capacity of employees to meet and exceed expectations and to achieve their full potential. To benefit themselves and the organization. Now, aligned with that particular aim, what we can understand is that performance management certainly clarifies how employees are expected to contribute to achieving organizational goals as I have already mentioned, by aligning with the organizational goals. So, this is the overall picture of performance management. Now, why do we need artificial intelligence?

Having understood performance management, why is there actually a need for artificial intelligence? This is the big question we would like to answer in this particular session. Performance management is more than just evaluating an employee annually based on a predetermined set of criteria; it is not just performance appraisal, which I have already mentioned. It entails ensuring that performance criteria are appropriately linked to the objectives of the organization. And are typically communicated to employees so they feel more assured. They feel that their efforts are being directed toward the most critical activities in the organization. Please note the concept of strategic intent again here. When you are looking into or understanding performance management, you have to take a holistic picture like this. But that said, many organizations typically do not use the method of what we generally call in HRM as 360-degree feedback as part of the performance management process. So, it is vital to find a way to reduce the typical time needed for the execution and administration of these reviews. So I'm basically coming into the possibilities. Why artificial intelligence, after all? Organizations typically realize that they need to do something quicker in real time.

This particular aspect, doing something quicker, in real time, and more individualized, is solely focused on fueling performance in the future rather than assessing it in the past. This is what signifies the involvement of artificial intelligence. This need amongst organizations provides many possibilities for AI usage in performance management. I hope why artificial intelligence is required, or will add value, or will enhance, or will embellish performance management, is quite clear now. Now, when you are looking into AI, I have categorically defined artificial intelligence in the first two modules. But in every single module, I'll try to bring a new school of thought. And here again, I'm trying

to redefine it. So AI, artificial intelligence, can be understood in a different way. It's a computer system that can interact with its surroundings and make choices that help it accomplish its objectives. So this is vital. Now the objectives, we'll try to unravel them along the session entirely. Following this particular definition, an AI system specifically is required to have several recurring capabilities to function, and they will be one, language processing. You look into language processing; it is nothing but the ability to understand and communicate in a human language because we are essentially looking into AI which has to have a human angle. So, when you are looking into this human angle, the ability to understand and communicate in human language is vital when it comes to language processing. When it comes to knowledge representation, it is the ability to store what the system knows or picks up.

I repeat, it's nothing but the ability to store what the system knows or can pick up. So this is what knowledge representation is. And when you look into automated reasoning, it is the ability to use the information that was stored to solve problems and questions. So whenever you are, you know, found with some particular problem with no solution or you need to have an objective answer for that or you need a quicker real-time solution to that, the ability to use the information that was stored to solve the problems and questions brings out automated reasoning, and that comes out handy in those situations. Finally, the component, the capability of machine learning, the ability to adapt to changing circumstances and to filter out and apply patterns in stored data. Now, when you're looking into AI and performance management, we understand performance management. We understood what performance management is. We understood what AI is. We understood why, you know, AI is essential in performance management.

Now, our requirement is to have a synchronization between performance management and AI, which is performance management using AI. So when you look into performance management, it is categorically established as an essential process, though it can often be time-intensive and it can often be complex. So fortunately, there are several tools that are available to simplify the process, to boost efficiency, and to foster better communication between employees and managers altogether. Software like Workday, Lattice, Soho People, etc. are some of the very few examples where the efficiency part where the

process is being simplified, all can be done in a very systematic and systemic manner. So overall, the software provides various benefits. Let's look into that. One goal-setting software. It helps to set clear and achievable goals.

We know what smart goals are. I'm not going into the details of that. But please understand these tools help employees and managers work together to set clear and achievable goals. They make it easy to create goals that are specific. That are measurable, that are achievable, that are relevant, and that are time-limited. So, when you are looking into smart goals, performance management would definitely need such goal-setting software. These tools also help to track progress towards these goals and make sure they align with the overall goals of the organization. Now, when we come to performance appraisal software, we have software that Streamlines the performance appraisal process, simplifying the task of conducting routine evaluations, recording feedback, and monitoring employee growth over time. So this is what performance appraisal software does.

And finally, one of the most critical tools, which is the 360-degree feedback tool. I've already mentioned that this makes a holistic evaluation of the individual, of the employee. So, whenever you are employing, whenever an organization is employing 360-degree feedback, it essentially wants the progress of the individual. The organization is progressive. It is not regressive in that sense. So, these tools gather feedback from multiple sources, such as co-workers, Managers, maybe clients, in offering a broader understanding of an employee's job performance. So this is another tool which is the 360-degree feedback tool. Now when you look into performance analytics dashboards, these are one of the new aspects or new technological upgrades that have come whereby these dashboards offer up-to-date information on how individuals and teams are performing.

So, this data can help pinpoint areas where people are doing well and where they could improve. They could actually monitor progress towards the goals and make informed decisions about training and development. You must have heard of tools like Power BI, Google Data Studio, etc. So, these are all part of or all critical performance analytics dashboards. So, again, this is one of the most important AI upgrades in performance

management. When you look into performance management apps, The mobile apps provide easy access to performance management tools anytime, anywhere. And that's the significance, that's the importance of these performance management apps. This means you can give and receive feedback, monitor progress, and set and manage goals in real-time. So, these are some of the, you know, AI introductions or AI tools that can actually aid performance management. Now, let's look into the main role of AI in performance management. We have understood what performance management is. We have understood what AI is. We have given, though in module one and two, we have categorically defined AI.

Here, I've tried to bring in a new thought, new process, new understanding. But more than that, When you look into AI specifically, I would want you to understand that there are certain critical aspects which make it the main stakeholder in performance management. No human error. Please note, we'll go into detail. But please understand, whenever you are trying to take out the human element out of it, I am talking in a very positive sense, not the negative sense. When you are taking out the human element, because the moment there is human involvement, there is a possibility of error. To error is human, and to forgive is divine. It lies on the basic assumption that human beings can make errors. So when you are taking the human component out, now I hope you will understand and appreciate. When you are taking the human element out of the picture, there might be a possibility that the errors are minimized. And this is what we actually gain from AI. When you look into every single technological upgrade, what has been done or what it is doing is basically to take out the human element or the human possibility of making errors. Let's look into any of the examples.

Let's look into... Things like having a toll plaza, having a toll booth, whereby you have this automated fast tax and such techniques actually tend to make things process or make the process smoother. Reducing human error might be that every time you need to have a person to enter and exit and make a note of it, it takes time. There is a possibility of human error, and there is a possibility of accountability too. When it is directly linked, towards your financials and towards your logistics, it makes altogether a different picture. So this is what I thought I should give a small understanding about the main role of AI in

performance management. Please understand, performance management was there, and gradually it has evolved. Again, if you look into some specialized courses in performance management, you can definitely see the basic evolution of performance management. But my scope here is to make you understand and aware that performance management was there; it was evolving gradually, but now since AI has come up, it has become more objective, it has become more technical, it has become more accurate. So, this is what I would want to underscore when I am talking about AI in performance management, specific to the background of no human error. Let's talk about this in detail. Now, when you look into the main role of AI in performance management specifically, what we generally understand is that there is no human error, which we have categorically established. Now, when you look into AI-powered performance management, it is entirely driven by data. It is free from any personal biases. Now, this is interesting.

The moment you are putting a human being, you are having a human element in the picture. There are some personal biases. You can call them personal. Any sort of, any types of bias, any level of bias that can happen, but there is some stereotyping, there is some bias, but when it comes to AI, please note, it is free from all personal biases. It gathers information from various sources, reducing the possibility of data inaccuracy. So, the information collection, the overload, if I can use the word, or the availability of information throughout the that becomes or that makes it more objective. And finally, as a result, AI enables managers to deliver impartial feedback as a result. See, when you are looking into performance management, many a time what happens is that how will, let's say, an employee is not performing well and your performance management system has certainly found out that. How is the manager going to tell this to the employee?

Many a time that is the question, and the question or the rationale behind that question is also critical. Let's say the individual is being told that Mr. X or Mr. Y or Miss X or Miss Y, your performance is not good. Then how will he or she take it or receive it? Or there might be a possibility that he or she might refute the claim. Your performance management is biased. He or she might come up with a claim that your performance management system is altogether lopsided. It is not objective. There are certain flaws.

There are certain problems that are not being accounted for. Or, you know, this particular amount of extra work which I've done is not accounted for.

But all these types of excuses will not come when AI is used in performance management simply for the reason that there is an impartial feedback that is going out of the manager. And the possibility of giving that impartial feedback comes from the very fact that there is a tremendous amount of information that has been gathered on you, upon you, around you, 360 degrees. Everything accounts for an objective, impartial feedback. There are no personal biases. There are no problems. This makes AI, the role of AI, more relevant in performance management. Now let's look into the projections based on the comprehensive data. When you look into the projections based on comprehensive data specifically, what we understand is AI-driven performance reviews analyze extensive data to generate projections that consider not only the current review but also the employee's performance and career growth over time. So, this approach typically is vital for recognizing the employee's potential and establishing suitable goals over time. So when you look into these projections based on comprehensive data, please understand it also aids managers in making more informed decisions regarding their promotions and determining incentives. So based on the comprehensive data that is available, where does this person stand in the organizational hierarchy? What should be the career progression, or how should the career progression be designed and determined for the particular individual?

That could be clear from the projections that are based on comprehensive data. When you look into other main aspects or roles of AI in performance management, you cannot ignore continuous assessment and real-time analysis. When you look into continuous data collection, from various resources, you have to understand that AI enables continuous data collection from various resources, such as employee communication and calendars. This allows the system to provide real-time insights into individual performance, helping managers make quick decisions and offer immediate feedback. Additionally, Artificial intelligence significantly reduces the time spent preparing for all the periodic performance reviews, where employees typically need to recall and verify information from relevant sources.

When you look into AI in performance management, you also have to understand that better managers can be created. AI assists managers in validating their judgments and ensuring the accuracy of the feedback they give. Also, it enables managers to enhance their performance by providing access to a broader range of data and insights about the employees they are assisting. So basically, it is a one-stop solution for creating or making better managers. Now, when you look into employee engagement, we understand that the role of AI is critical here too. As part of the ongoing performance reviews, let's say AI can conduct regular intelligence surveys and collect real-time feedback. This is one of the essential aspects that categorically increases employee engagement. It can also provide employees with personalized insights based on gathered survey data or typical self-assessment. So, this is again vital towards employee engagement. And finally, the training and development part. When you look into artificial intelligence, it can definitely assist managers in identifying gaps in the talent pool and provide personalized training recommendations. Please note, I'm using not trained training recommendations.

I'm using the word personalized training recommendations for individuals by typically analyzing data from the past. Performance reviews, career progress, interests, and typically the skill sets available with a particular individual. So, that is a holistic improvement. The artificial intelligence is actually being put forward within the performance management scheme. So, by leveraging AI. In this process, performance appraisals can be more precise. Recognizing employee competencies is vital. Recognizing employee competencies and pinpointing certain areas for improvement is a crucial aspect when it comes to performance management. So, that is the leverage that AI will be getting. Additionally, AI-driven learning programs can help employees learn more effectively and efficiently. So, these are some of the critical roles of AI in performance management. Now, let's look into HR technologies and AI in performance management. We'll come to the main crux of today's discussion, where we are looking into HR tech and AI. You know, the convergence of HR technologies and AI has certainly led to all the groundbreaking advancements, let's say, in performance management, transforming the process of conducting and assessing employee evaluations.

So, the integration of AI-powered tools and platforms categorically provides HR professionals with advanced data analysis, reporting, and decision-making capabilities. So, what I wanted to ascertain here is that the data is not simply used for analysis. It is used to form, take, or make better decisions. So, it actually enhances, it actually embellishes the decision-making capabilities of individuals. These technologies categorically help HR teams to manage performance more effectively and efficiently, driving tangible improvements in the employee appraisal process. Now let's look into the key applications of AI in HR technology. A significant application of AI in HR technology is predictive analytics, which forecasts future performance trends. And highlights potential improvement areas. So basically, where you are standing right now, where you want to go, this is being channelized with predictive analytics. So basically, when you look into the key application of AI in HR, this happens to be one of the vital aspects, predictive analytics, by examining, you know, historical analytics. And relevant factors, AI provides insights that allow HR professionals to anticipate future outcomes and address performance issues proactively. This particular proactive approach to performance management helps HR teams take early actions that promote positive results. Additionally, if you look into AI, it improves the accuracy and objectivity of performance evaluations by uncovering patterns and correlations that might not be immediately visible. Also, please understand, machine learning algorithms enable HR technologies to offer a deeper understanding, which leads to more informed decisions, which leads to more critical decisions based on employee performance, leading to a vital non-biased feedback mechanism. Also, the data-driven method increases fairness and transparency fostering greater trust and confidence among employees. So when you look into key applications of AI in HR technologies, you have to understand and appreciate that fairness and transparency are two vital aspects that can be achieved through the application of AI in performance management, specifically with respect to HR technology.

So let's look into AI-powered chatbots and virtual assistants, which are nowadays very common with most of the platforms. AI-driven chatbots and virtual assistants can actually enhance communication and feedback processes by giving employees immediate access to performance-related information and support. So these tools specifically allow

HR professionals to interact with employees in a more timely manner, in a more personalized manner, promoting a culture of ongoing feedback and development.

So, integrating AI into HR systems enables organizations to adopt a more flexible and responsive approach to performance management. Now, let's look into performance management under AI influence. So, when you are understanding or when you are trying to discuss performance management with AI, we certainly have to understand how AI is equipping. We have understood the objective aspect or the objectivity-related concept, but the ease also has to be understood. When you are looking for data collection, specifically, we'll discuss that in greater detail.

But let's take an example. If I want to collect data about a particular individual, it is very hard if I go in the organic way. But if I have an AI-enabled system or AI-assisted system, then the data is being collected at every single moment. Let's say we can understand with a crude example. Let's say we are looking into some AI-enabled cameras picking up speed limits, performance, or driving patterns of people on the road. So, basically, you have enormous data that are being gathered with respect to or by these cameras. So, this will enable us to have a very close analysis on a very grand scale with the amount of data. Now, Please understand, if I have to calculate or collect this data on a personal level, organically, without employing any technology like AI. It would be a Herculean task. Many a time, it would not be a possible task either. How many people at how many places can I employ to collect that much data? So, many a time, objectivity is mainly looked upon as a big thing. But we tend to undermine the ease of collecting data also. So, I want to remind you here.

Whenever you are looking into AI, not only in performance management, but since today's discussion is based on performance management, we will emphasize it with respect to performance management, though it applies in a generalized manner. Whenever you are looking into AI or trying to bring AI into anything, you are essentially targeting the ease of data collection as well. This is also the case in performance management. Let's look into that in greater detail. Ease of collecting data.

The most biggest advantage is definitely the ease of collecting data for managers and HR professionals. One of the typical aspects when you look into performance management is to make it more effective when supported by data, such as task completion times or other people analytics or metrics related to performance task completion. So this particular reliance on factual information actually aids managers in making informed decisions. However, when employees work across multiple teams and departments, their significant contributions to organizational goals might be overlooked. Please understand that when you are working with a single team or part of a single group, your objective assessment is relatively easy. But when you are a person working in a cross-functional setup, contributing to different teams, different functional departments, and different aspects of groups, then the objective performance appraisal might be difficult, and many times, the performance of such individuals is overlooked. So AI systems can actually help here. They can simplify the process of gathering data and information and help managers access relevant data at the appropriate time. This is something which is vital when we are looking into the ease of collecting data. So basically, the tools to synthesize and analyze data,

the performance data that has rapidly advanced in the last few years with all the available statistical modeling software, machine learning technology, and AI applications becoming more mainstream. So rather than relying, let's say, on a once-a-year exact analysis of individual data, organizations can actually get better information by using systems that continuously collect data on the performance of people and teams to yield more accurate insights, which can then be used as input for continuous performance management activities. Now, let's look into eHRM. eHRM happens to be a discipline itself. You know, in institutes, we generally run it as elective courses. EHRM has its own relevance. Now, how does AI relate to EHRM or how can it facilitate? Let's look into that. EHRM systems facilitate performance reviews by actually providing a recording mechanism for the results of performance management activities. So, with the real-time data collection from recent performance events, employees perceive the information as more reliable. This is what I was actually talking about just a couple of minutes before. When you are talking about employees perceiving the information as more reliable,

managers can use real-world evidence to engage in more impactful coaching and improving conversations.

So, as companies incorporate automation, machine learning, and AI, the quality of data will significantly improve and be gathered more efficiently. And when it comes to feedback, not only is the data collection made more continuous and real-time, but it is also possible to give feedback continuously and in real-time. Now, this is What is significant? This is what is critical. It provides feedback continuously and in real-time. And when you look into the transition from evaluating past performance to offering forward-looking feedback that can be effectively supported by AI tools, an AI platform can typically, you know, if you ask me, deliver ongoing feedback and real-time performance evaluations, which helps employees understand how their efforts contribute to achieving organizational goals. So basically, organizations which have employed AI platforms in their performance management systems can actually objectively say how the employee efforts typically are contributing to achieving organizational goals.

And this is a big thing. When you talk about strategic intent, when you talk about aligning your individual goals with organizational objectives, This becomes quite a big revolution in itself, quite a big resolution in itself, actually, when you talk about AI in HRM. Now, let's look into the strengths of AI usage in performance management. Most of the things we have already perceived, but let me put it down in a more systematic manner. The first and foremost is definitely quick and accurate performance. When you're looking into AI historically, the administrative tasks associated with all the performance management and HR activities have been time-consuming and labor-intensive. So all the time, cost, and labor aspects were involved or included or were definitely required when it came to performance management. Much of this mundane, repetitive, tedious work can now be partially or entirely replaced by an AI system with analytical capabilities. That makes it easy. That makes it quick.

So it is even argued that AI will do more than simply facilitate daily work, and that AI will increase the ease of documentation, speed and ease of communication, and enable definitely better accessibility to data. So, again, when I'm talking about AI in late 2024, early 2025, it might be totally different. If I perceive things five years down the line, it

might be a different standpoint altogether. So at the end of 2024 or early 2025, things are like this. But let's say there could be this AI, which is evolving, which can actually increase the ease of documentation speed. It can increase the ease of communication and increase better accessibility to data. All these aspects, we are already seeing the signs and symbols of this. We already have prototype mechanisms which can actually enable us to do this. So we are looking into a humongous change that is going to happen in the next couple of years, specifically to AI usage in performance management.

When you look into the second aspect, data handling and processing, AI can analyze large volumes of data much more quickly than a human can. There is no doubt about it. So this rapid processing also enhances the decision-making speed. Based on the analyzed data. So, these qualities are highly beneficial for HR functions as they accelerate routine and repetitive tasks. Not only is the data processed better and faster, but the collected data is also improved in quality, enabling a total shift from backward-looking evaluations towards frequent fact-based performance and development discussions. This is vital when you're looking into initial performance management. It was backward-looking, so from that, more developmental, more futuristic, more forward-looking development or feedback has been the vital aspect or has been the salient feature of AI usage in performance management. When you look into unbiased and errorless decisions, we have to understand a significant advantage of AI is its lack of personal bias, which we already mentioned. So AI evaluates data and patterns objectively without any opinions that could affect the decision-making.

So HR and line managers might actually sometimes let personal biases affect their HR duties. It has been observed. There are different case studies on that. Practical experiences, if you have worked in the industry, you will definitely ascertain to the fact that, many a time, HR and line managers, sometimes, not only sometimes, there are instances where personal biases come into their HR duties and things take an ugly turn of events. So, this has happened, but then using AI in decision-making can help eliminate these biases and typically reduce human error. So AI not only speeds up decision-making but also minimizes mistakes, leading to lower employee turnover and definitely improved talent retention compared to human performance. Now let's look into the challenges of AI

usage in performance management. When we look into the main challenges for AI usage in performance management, definitely what we said as a positive aspect can also come as a negative aspect, lack of human touch. Let's understand this.

AI usage does not Only have a lot of benefits, but it also has several drawbacks that hinder it from replacing humans in performance management, the most prevalent of which is that AI software lacks the human touch. So what has happened is that AI is not yet sophisticated enough. To replace human decision-making, which remains fundamentally different from the AI decision-making process. So we are unable to interact with AI systems in the same way we interact with other people. And AI cannot explain its reasoning and behavior as humans can. So human and machine intelligence Have distinct strengths and weaknesses. Tasks that are simple for humans can be very challenging for machines. And please remember, vice versa.

I repeat, the tasks which are simple for humans can be very challenging for machines, and vice versa. So this fundamental difference, a fundamental difference that makes it challenging for employees to accept algorithms in the HR process, Is due to the complex socio-psychological concerns. So what happens consequently It is essential to explain and justify the algorithms used to gain employee acceptance. So without this acceptance, employees may react negatively, impacting organizational outcomes, something human decision-makers can adjust for, but algorithms cannot. So, this is what, you know, when I talked about AI in HRM, the first instance or first point was specifically that you do not have the human interface now that was projected in a positive manner. The moment there is a human interface, there is a possibility of error. To do away with the error, we tend to bring in more of the AI conceptualizations or AI frameworks or AI tools into the picture, which can track or collect data objectively, which has its own benefits. Now, the same thing has emerged as a challenge, and the challenge is many a time, there are decisions which a human being has to take. There are decisions which need a human feel or a human touch or a human perception which the algorithms cannot capture. And this is what makes this a challenge.

So, what happens if, let's say, a decision goes wrong? It might be a systemic decision that is taken by an AI-enabled toolkit, AI-enabled software, or an AI-enabled tool

categorically insulted individual or ridiculed individual, or maybe his or her importance in the organization has been belittled. Now, it cannot be taken back by AI either.

So, it needs a human touch. It needs a human element to actually perceive that there has been some level of distress. There has been some level of cognitive dissonance. There has been some level of problem that has been caused in that particular individual's mind. And for that, you need to take out that, you know, whatever has been a factor of insult out of the picture or take it out, so that cannot be done by an algorithm; for that, you need a human element, and this is one of the critical aspects. The same thing which was understood as a positive aspect of AI, that is, the lack of human aspect or human element, has emerged as a challenge in itself. So, please understand, ladies and gentlemen, when you talk about AI, it is a double-edged sword. The same thing which was positive has become negative, so these are some things we should understand when it comes to AI. Another important aspect is the lack of affinity in communication. Let's look into that in detail. When you look into, you know, the challenges, the second one would obviously be the lack of affinity in communication. Now, some argue that using AI to replace communication between managers and employees can make employees feel undervalued. Now, AI lacks the personal connection and nuance of human interaction, making it highly difficult to fully capture employees' genuine ideas or emotions, which cannot be easily digitized or understood through programming. So, AI, at its core, HRM involves understanding and respecting human resources, an aspect that AI cannot replace in enhancing HRM practices. When you look into the other challenges of AI usage in performance management, you have to also understand that there is a possibility of a lack of transparency. How? There is a possibility of a lack of transparency. Let's look into that. A significant issue that may lead employees to be cautious about using AI in performance management or other HR activities is a lack of transparency in the algorithmic decision-making and AI systems.

Mainly often base their decisions on historical data and patterns they have been trained on. So this is where the root cause is. Given that HR decisions can actually greatly affect individuals and society, ethical considerations are vital and crucial when it comes to

decision-making. So AI's reliance on, let's say, pattern recognition often falls short of providing the nuanced reasoning needed for such important decisions.

So maybe there's a pattern that the algorithms are catching, but it might be a new thing altogether. Something that the problem has emerged might be a new aspect. So based on the previous patterns, whether we can actually look into the possibility of the future, that is a big question. Another important risk is the risk of decontextualization. When you look into AI usage and performance management, it has been noted that when data is collected solely by an AI system, there's a risk of this decontextualization where only data from a specific factual situation and possible actions are considered while the broader context is ignored.

I repeat. Data from a specific factual situation and possible actions are considered while the broader context is ignored. In one of my NPTEL courses, specifically the organizational behavior course, I had specifically underlined the importance of context. And when it comes to human beings, when it comes to human resource management altogether, you have to understand that context is highly significant. You cannot actually differentiate or cannot actually ignore context, cannot be indifferent towards context when you are explaining any concept in human resource management. This risk of decontextualization is emerging as one of the critical challenges of AI usage in performance management. So this can have significant negative impacts on both individual and organizational performance as it fosters a culture where truth is centralized, leading to a collapse in value and reliability of performance management. For instance, let's look into employees who might manipulate AI performance appraisal systems to be ranked in, let's say, the top 10% or provide false negative ratings to colleagues to prevent them from receiving high performance scores.

So any such act of vendetta, personal mischief, or maybe some manipulations, AI is prone to the risk of decontextualization. When you look into AI, we have understood what performance management is. We started with a discussion on that. What AI is in the context with respect to performance management, how it can help, what are the functions, what are the challenges, and what are the possibilities? Now we look into the future landscape of AI in performance management.

We have seen the core function of predictive analytics. We can see how it is going to emerge in the future. Some thought processes, some schools of thought, some intuitions. If you scroll back to the introduction lecture, the entire course AI in HRM is based on the fact that intuition is meeting innovation. So some intuitive aspects because we don't know. Five years down the line, ten years down the line, a couple of years down the line, what is going to happen? So these are some of the predictions about predictive analytics. These are some of the predictions about the future landscape of AI in performance management based on our experience, based on the AI chatbots, based on the use of AI tools, what we understand could be predictive performance analytics, what could be real-time feedback, what is the future landscape of AI in performance management. Let's look into that in greater detail.

When you look into specifically the first aspect, predictive performance analytics, to be specific, the future landscape is as we approach a new era in human resource management. The transformative impact of artificial intelligence specifically on performance management is both extensive and exciting. So the incorporation of AI technology is set to not only optimize current processes but also fundamentally reshape the ways we actually evaluate, develop, and retain employees. So when you look into specifically predictive performance analytics in the future, AI is expected to elevate predictive performance analytics to new heights by aggregating and analyzing extensive data points, AI will forecast individual employee performance with exceptional precision.

This is what the objectivity of AI is all about. This capability will allow organizations to proactively customize development programs, identify potential skill gaps before they emerge, and optimize team structures for upcoming projects. When you look into real-time feedback and personalization, You will understand the era of annual performance reviews is coming to an end. You know, as typically AI introduces a new norm of real-time feedback.

So we are not looking into the past. We are certainly looking into the present. Now, when you, Say this, advanced AI systems will deliver immediate insights into employees' work, offering on-the-spot suggestions and learning opportunities. So this approach, I believe, not only improves the employee experience but also promotes a culture of ongoing

development and flexibility. So this is one of the important future landscapes or future aspects that AI can aspire to be. AI as a coaching partner. This is vital. You know, when you look into AI's role in performance management, it is set to extend beyond mere analysis to include coaching. Advanced systems will function like virtual mentors, helping employees navigate personalized development pathways and reach their career goals.

So these AI-driven coaches will actually enable because they are available around the clock, providing continuous support and guidance as needed. And when you look into another important aspect, it would be enhanced employee engagement. Thanks to AI's ability to analyze intricate patterns in employees' interactions and engagement, future performance management systems will be highly responsive to the well-being and satisfaction of the workforce. AI will help organizations detect disengagement early, facilitating prompt actions to rejuvenate and re-engage valuable employees. When you look into the future landscape, you also have to understand ethical and fair appraisal systems because the ethical aspect is always a concern when it comes to AI. As AI systems advance in complexity, there will be a greater emphasis on ensuring they are both effective and ethical. This will require creating AI that can eliminate unconscious biases and deliver fair and equitable evaluations for a diverse range of employees.

Workforce upskilling and adaptability is yet another aspect. AI will be essential in determining future skill needs and supporting the upskilling of the workforce. As work evolves, AI-driven performance management systems will help keep employees' skills current, promoting a workforce that is adaptable and prepared for the future. When you are looking into the future landscape, you also have to understand that there is a possibility of integration of AI and human insight, which is vital even with the progress of AI. The human aspect of performance management will continue to be essential. In the future, there will be a collaborative synergy where AI, artificial intelligence, offers data-driven insights while humans contribute context, empathy, and ethical judgment. This combination will ensure that performance management is both technologically advanced and deeply focused on human needs. Please understand that When we are

talking about human resource management, specifically AI in human resource management, we cannot have anything beyond human.

When you are talking about artificial intelligence, we cannot have a discussion where we take out the human element. We have categorically established it as the positive aspect. The human touch is relevant as a negative aspect. The human touch is relevant. The human being, the human factor within human resource management, cannot be taken out, and we cannot have a discussion without it.

So, even in the future landscape, we have looked into that. My point here is, if you look into the entire AI in human resource management specifically, what is vital is performance management was more historical. It was looking back at what you did, what let's say if I want to have an understanding of person X, what person X did over the last 365 days, that was what was monitored. When it comes to AI in performance management, it is not that. Instead, it is the present and it is what the prediction or the predictive analytics says about his or her future performance.

So, this is what typically meets the entire. AI in performance management becomes more beautiful because you are not looking into the past. You are looking into the present and you are looking into the future. We will come up with more details on AI in performance management with more intricate discussions on different tools, etc. In the next few classes.

Till then, take care. Bye-bye. Amen.