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# Measuring Performance: Search for Elixir

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## Introduction

An interesting headline caught the attention of the Head of Human Resources (HR), ZBEX Technology Solutions. The article was about Deloitte, the global services major, and how they were in the process of revamping and reinventing performance management system. This meant that all existing tools like the 360 degree feedback, annual rating processes were also shelved. What led to this turnaround? A recent employee survey conducted by Deloitte brought some interesting perspectives. The results showed that 58% of the respondents believed that their current performance management systems fell short of achieving their key objectives- driving high employee performance and engagement.

Now, one may think that they knew it all along. But the annual performance reviews meant something, right? Wasn’t the exercise something worth looking forward to? The day of reckoning, as employees often remarked, in a half-joking manner? Employees weigh and assess their own performance against set parameters or Key Performance Indicators (KPI) or Key Result Areas (KRA). Then the self assessment sheet is handed over to the superior for his assessment. And thus begins a period, where virtue is patience. If an employee could wait for a year, why not for a period of 30 days? At the end of the long painful waiting period comes the official declaration of an employee’s rating. The rating more or less sets the tone for year ahead.

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**Learn Happiness Online?**

In June 2015, the Massive Open Online Courses (MOOC) provider Coursera introduced a course on "Happiness". The six week course, developed by Professor Raj Raghunathan was an instant hit. Coursera was pleasantly surprised by the enrolments it received. Nearly 60000 people registered for the course. A leading business daily, The Hindu Business line, while reporting on the interesting development observed that "*evidently, there are a lot of unhappy people out there searching for the holy grail of happiness".* Now, there are two ways to look at it. One is that majority of them are indeed employees and employees in general tend to be unhappy and discontented and hence the search for true happiness. What better way to seek happiness than by looking at the same screen they are so very used to?

Another is that not all of them are employers, and hence it is rather immature to generalize that employees are unhappy. But then, for a second if we imagine that majority of them are young students and may join workforce in a year or two, the situation seems worrying.

**Unhappiness Among Employees: Are Performance Appraisals to Blame?**

What leads to such high levels of discontentment at workplaces? There may be many valid reasons for it. Performance appraisals may be a major cause for a sizeable number of employees. The world is going through 'Volatile, Uncertain, Complex and Ambiguous' (VUCA) times as far as business is concerned. Tough times call for tough measures. Products have much shorter life cycles. Companies which were favorites a few years back are shunned. If you happen to be in the technology sector, things could be even nastier. Take the example of Motorola. The once favorite mobile handset maker, which subsequently went out of market with the onslaught of Android based smart phones, made a spectacular comeback through Flipkart. Datsun, a car brand owned by Nissan, discontinued in the 1980s is back to woo customers. Competition among companies has made it tougher for employees.

Excellence may well be a part of an organization's DNA. For the same reason, employees are expected to go for stretched goals in performance. Achievements are taken for granted, and it's only an exceptional overachiever who gets the eyeballs. At the end of the financial year, it is unfair to the performers if only the best of the best gets acknowledged and appreciated. For the management, it is easier to justify the logic. They easily fall back on Pareto's principle. 20% of the workforce gets 80% of the work done. So reward the 20% and ignore the 80%. The ubiquitous bell curve and forced distribution of ratings make it easier for managers to implement appraisal process. What they don't get is the obvious: You cannot run a company where 80% of the employees are unhappy because they didn't get due recognition.

## "Am I Valued?" Syndrome

Everyday millions go to work wishing that they had a change at/of workplace. It was Mother Teresa who once said "there is more hunger in this world for love and appreciation than there is for bread". A research conducted by Monster UK (a job search engine) in 2014 found that employees wanted (on an average) an additional payment of £134 a month (£1,608 a year) to compensate for the lack of appreciation and being never thanked at work. Only 25% of employees felt appreciation from their bosses, where as 22% of employees felt their bosses were thankless and lacked in basic manners.

Cultural differences add to the complex nature of workplaces. At some, saying a "Thank You" came quite naturally, where as in other places, paying even a customary compliment was rare. Showcasing your emotions at work is often interpreted as a sign of weakness. An ice cool M.S Dhoni is more of an icon to the bare-chested Sourav Ganguly for some.

With more gadgets replacing human interactions, social skills are the biggest casualties. The word '*phubbing*' was added to the dictionary recently which meant "the activity of being impolite in a social situation by looking at your phone instead of paying attention to the person you are with".

Employees also struggle to see the larger picture-the meaning of their very existence. They fail to see the purpose in employment. When an employee joins an organization, he/she is quickly sent for an online induction cum orientation programme. This usually happens when the size of the company is large. Induction becomes just another process to comply with. In an organization like Tata Consultancy Services (TCS) with more than 3 lakh employees across the world, finding meaning for what you do can be a tough job. The managers in such a large and diverse organization have a huge task cut out to make the employees valued and respected.

## The TCS Experience

The year 2015 began with a sour note for the employees of TCS, who woke up to the fact that the management was terminating services of thousands of 'non-performers'. TCS is still the most valued company in India by market capitalization. Employees who spent more than 5 years with the organization were also given the pink slip. Employees were up in agitation against the decision by the management. Online and offline campaigns were mobilized, which gathered momentum. The company had to finally go slow on the lay –offs. The way in which the lay-offs were announced raised a lot of doubts on the performance appraisal process in place. It would be apt to say that the appraisal process helped neither the management, (if they were indeed right about the employees being non-performers) nor the employees (in giving proper feedback about their actual performance).

**Raising the Bar in Performance**

How an employee is treated at workplace is all about his/her performance. Not past performance, but performance in the last/current project in which he/she had/has a role. In a field as fiercely competing as movies, it was often said that a new star is made every Friday and the same day a star goes into oblivion. The average workplace is no different these days. Increasing demand from the companies for setting new standards of performance is wearing down the employees.

The New York Times recently carried an article "Inside Amazon: Wrestling Big Ideas in a Bruising Workplace". It was about the ever expanding ambitions of Amazon and how employees were driven for performance. It is said that Amazon boasts that its standards are 'unreasonably high'. Amazon ex-employee Bo Oslon has gone on record to say that often his colleagues were seen breaking down at their workstations. Employees were encouraged to rip apart others' ideas in meetings. The concept of 'brain storming' where every possible option was openly discussed without being critical was no longer in vogue. There may be employees who excel in such grueling situations, but the average employee found such practices difficult to digest.

An employee who joins a new project/ organization is expected to deliver from day one. There is hardly any time with leaders for grooming. Companies cannot afford to wait for a year or two to invest in an individual so that his/her potential is realized, since the market out there is so demanding.

Let us take a look at the leadership principles followed in Amazon (Exhibit I). As a customer, one would be delighted to look at it, since it promises the moon. For an employee, it is doubtful if it creates such positive energy. For example, the fourth principle implicitly states that *as a leader, you better be right*, since as a company, Amazon is 'obsessed with customers' (Principle 1). Leaders also go on a never ending upward spiral of performance (Principle 5). Leaders also set 'seemingly unreasonable' set of standards for others to follow (Principle 6). Leaders do all this with frugality in mind. So they work with minimal resources and create magic.

Though search for quality is a never ending process, keeping it sustainable from a human resource perspective could prove to be mighty difficult. Employees may have lean patches. For example, sales executives and managers may have months when they fall behind in achieving their targets. Companies need employees who are in 'plug and play' mode. Time is of essence and practically companies find lesser time to invest in new employees. Often induction cum training programmes are outsourced or provided online through a platform. In such an atmosphere, employees may crack under sustained work pressure.

In India, where mental illness is seen as a taboo, employees may refrain from taking professional help to tackle issues at work and eventually break down. Issues like these are often labeled as 'personal issues' and hence, Human Resources (HR) has limited role.

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**Internal Customers, Most Valued Resource...Really?**

Now that reality is right in front of us, one might think, what happened to those good old thought patterns which made us believe employees are the most valued resources? They were called internal customers, and to keep profits coming in, it was believed that one needs to keep their employees happy. When did things change? What happened to the 'Google's of the world? Organizations seem to deviate much from what they preach when it comes to employee orientation and welfare. If we take their claims of being employee friendly in face value, then is it the performance review system which brings in the negativity? Since it is the annual performance review which gives a formal platform for sharing feedback and rewards?

How does an employee feel when performance review is done once a year? It is doubtful if it can give valuable and timely feedback so that his/her performance can be vastly improved. If an employee commits a mistake, waiting till the year end does not make any sense. Employees complain about recency bias spoiling their chances of getting a favorable rating at the end of the year. Recent events get highlighted at the time of annual appraisal process. Even though the employee delivered as per plan, a more recent and unpleasant event at work can play spoilsport. For the same reason, it is often unclear if ratings reveal more information about the rater or ratee.

Yes, employee appraisal programmes are designed in a way to eliminate all possible biases. Analysis of an employee's performance is done objectively, with supporting data. Claims put forward by the employee in self appraisal have to be backed with data. The same have to be verified by the immediate supervisor. But still, errors creep in. Moreover, there is this famous quote about statistics which goes like "lies, big lies, damned lies and statistics". An employee's success is not his alone. When a team/member succeeds, efforts of others have also contributed directly or indirectly. If the supervisor attributes a person's success to another's effort, credit is divided and the final rating stands affected.

Appraisal process gives an opportunity-rather a forced one- for a one to one communication between the ratee and rater. Interactions may happen on a daily basis between the employee and the supervisor, but most of them are nothing but emotions, displayed impulsively. Giving proper, constructive and valuable feedback may not be everyone's cup of tea. It is true that ideally at the end of the appraisal discussions, an employee is supposed to get constructive feedback. Companies have developed mechanisms whereby objective evaluation of performance is done, but no analysis is done on the kind of feedback given or the effectiveness of such feedback. Performance evaluation itself maybe as objective as they claim, but the 'performance' of the rater in the entire exercise is never studied objectively. If employees seem dissatisfied at the end of the rating process, the blame normally goes to the appraisal system, and not really the way it is conducted.

With regulations demanding more transparency from companies, data is often in public domain for all to see. It may not be an employee who questions an organization's policies. Such issues get wide publicity with the help of social media tools. For employees, it is easier to be disguised as an anonymous user and outrage. It poses bigger challenges in online reputation management.

In April 2015, TCS announced a onetime bonus payment of Rs.2628 crores to all employees who completed at least one year with the organization. It was estimated that roughly 2.5 lakh employees benefitted from the special bonus. TCS said that such a gesture was to mark the 10$^{th}$ anniversary of its Initial Public Offering (IPO) in 2004. The bonus payout was said to be the biggest ever in the country.

**The Indian Scenario: Fascination of Bell Curve**

In India, an estimated 75% to 80% companies use the bell curve method to rate their employees. In spite of the fact that leading organizations of the world are turning away from using bell curve, forced rankings and distribution, the system is expected to have a longer life in India. Worldwide, the trend is changing. More and more companies have already made significant changes to their appraisal process, or are already in the process of change. The bell curve rating process which compares employees, is supposed to be an objective analytical tool. Yet, it is doubtful how objectively employees are able to view their own ratings.

In a nation like India, where emotions rule, such a practice may induce employee dissatisfaction and disengagement. India is expected to become the start up hub of the world. Technology based companies are successful in raising funds from the leading investors of the world. When India Inc. seeks the best of brains to work for, it may not be long before the stakeholders call for a major revamp. As Sandeep Sharma, co-founder of Yepme.com put it: "I have no faith in the bell curve. It's an easy way out but doesn't fit in today's entrepreneurial-driven system". Yet there are people who advocate its use. Some are of the opinion that the system helps in healthy competition of employees.

An article by Hans Hickler, Chief Executive Officer (CEO), Asia Pacific at Agility Logistics Solutions in the professional networking site LinkedIn, has this interesting portrayal of a typical bell curve (Exhibit II).

**Carrot of Performance Linked Pay**

Companies find it rewarding to link pay structure with performance. In some organization, one can earn significantly higher than one's fixed salary component, if he/she happens to be one of the 'performers'. Often the variable component is paid out as an annual bonus, after performance appraisal. In the junior management level, one can earn monthly or quarterly incentives, for example, in sales. But in other functions, such a periodic payout of incentives may not be possible. The fruit of labor is received at the end of year, in the form of bonus payouts. Linking pay to the final rating may be putting too much at risk, when such high earning potential is at stake. Employees may not have a social security plan in place, apart from provident fund. Hopes and plans of employees and their families ride on the performance bonus payout.

**Risking Too Much On a Single Annual Exercise?**

Not only performance linked pay, but several critical decisions like promotions and succession planning are also taken based on the output from annual performance review. Identification of needs for training and development is also part of the process. Can companies risk these critical components on one single process and how it is handled by a single individual, i.e. leader of a team?

**The Way Forward**

Apart from Deloitte, General Electric (GE) is also revamping its performance review mechanism. The organization has found that a formal, annual performance review is inadequate to manage present complex business scenarios. At GE, managers and their subordinates hold periodic and informal “touch points”, based on customer requirements and feedbacks. Such a tool is expected to be live and current. The company also has made a tailor made mobile phone app which facilitates interaction between teams. The system has not fully given up on the year-end discussions. The difference is that an employee need not wait a year to get a feedback. In the month of September, Accenture is expected to follow suit in revamping annual performance reviews.

In spite of all these developments, doubts persist if all these become mere lip service. Conceptually, all performance appraisal systems look ideal. It is in the execution which companies fail. As Nishchae Suri, Partner and country head, people and change practice, KPMG India said it aptly: “Problem arises when people do a mechanical exercise”. It defeats the purpose. It needs to be seen if the latest developments are successful in giving concrete and valuable feedback to employees. That is what matters, if employees are indeed the most valued resources. Deep in thought, the HR Manager proceeded to meet his team. He was excited about the job at hand. The CEO just handed him the task of reorienting performance appraisals in the midsize Information Technology (IT) services company. All seemed fine at work and the company was on a growth plan. He was sure that the organization will rub shoulders with the giants of the industry worldwide in the coming years. He wanted his organisation, [1]ZBEX technology solutions, to attract, reward and retain talent.

*Exhibit I*

**Our Leadership Principles: Amazon**

Our Leadership Principles aren't just a pretty inspirational wall hanging. These Principles work hard, just like we do. Amazonians use them, every day, whether they're discussing ideas for new projects, deciding on the best solution for a customer's problem, or interviewing candidates. It's just one of the things that make Amazon peculiar.

**Customer Obsession**

Leaders start with the customer and work backwards. They work vigorously to earn and keep customer trust. Although leaders pay attention to competitors, they *obsess* over customers.

**Ownership**

Leaders are owners. They think long term and don't sacrifice long-term value for short-term results. They act on behalf of the entire company, beyond just their own team. They never say "that's not my job".

**Invent and Simplify**

Leaders expect and require innovation and invention from their teams and always find ways to simplify. They are externally aware, look for new ideas from everywhere, and are not limited by "not invented here". As we do new things, we accept that we may be misunderstood for long periods of time.

**Are Right, A Lot**

Leaders are right a lot. They have strong business judgment and good instincts. They seek diverse perspectives and work to disconfirm their beliefs.

**Hire and Develop the Best**

Leaders raise the performance bar with every hire and promotion. They recognize exceptional talent, and willingly move them throughout the organization. Leaders develop leaders and take seriously their role in coaching others. We work on behalf of our people to invent mechanisms for development like Career Choice.

**Insist on the Highest Standards**

Leaders have relentlessly high standards - many people may think these standards are unreasonably high. Leaders are continually raising the bar and driving their teams to deliver high quality products, services and processes. Leaders ensure that defects do not get sent down the line and that problems are fixed so they stay fixed.

**Think Big**

Thinking small is a self-fulfilling prophecy. Leaders create and communicate a bold direction that inspires results. They think differently and look around corners for ways to serve customers.

**Bias for Action**

Speed matters in business. Many decisions and actions are reversible and do not need extensive study. We value calculated risk taking.

**Frugality**

Accomplish more with less. Constraints breed resourcefulness, self-sufficiency and invention. There are no extra points for growing headcount, budget size or fixed expense.

**Learn and Be Curious**

Leaders are never done learning and always seek to improve themselves. They are curious about new possibilities and act to explore them.

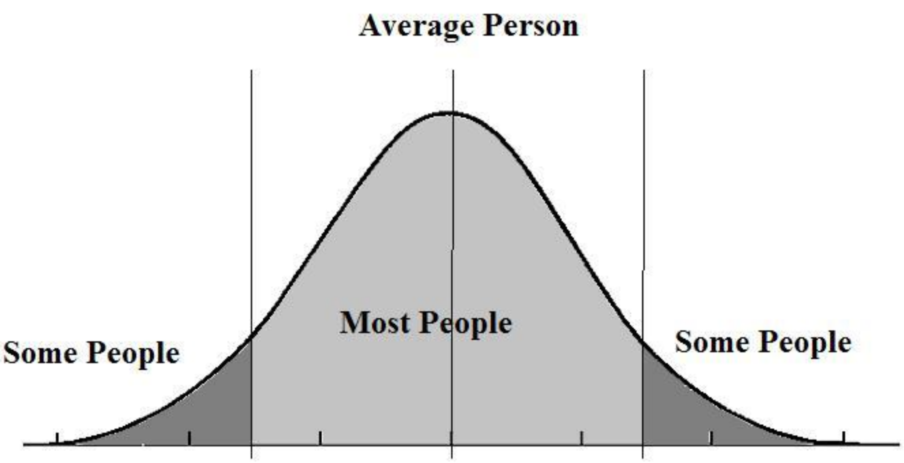
**Earn Trust**

Leaders listen attentively, speak candidly, and treat others respectfully. They are vocally self-critical, even when doing so is awkward or embarrassing. Leaders do not believe their or their team's body odour smells of perfume. They benchmark themselves and their teams against the best.

**Dive Deep**

Leaders operate at all levels, stay connected to the details, audit frequently, and are skeptical when metrics and anecdote differ. No task is beneath them.

*Exhibit II*




Source: LinkedIn (2014). *Pay attention to the Middle of the Bell Curve*.

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