



# Performance Management Report

Changing Trends in India

By **People Business**



**2015**



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# Foreword

Performance management is one of the most debated practices that organizations undergo on a regular basis. While there is not much debate on the value of performance management, the effectiveness of the process and how organizations can use it for building a high performance workforce are of paramount concern.

People Business has engaged with many organizations – both Indian and MNCs in the area of building a sustainable performance management culture and also researched some of the best in class organizations who have got their practices right. Some of the key differentiating factors that we noticed in the organizations that pride themselves about getting the performance management process right are:

- Performance management is seen as a business tool. It starts from performance planning – aligning the goals of the organization to its long term vision, market realities, and organizational priorities.
- Goals are relevant, connected to the overall objectives, and are cascaded from top to bottom on a timely basis.
- Ensuring that the managers are capable of setting relevant goals, creating ownership and providing useful performance and development feedback.
- Performance ratings or evaluation is a well thought out consultative process where the outcomes of ratings such as talent, compensation etc. are clarified.
- Practices are customized to the needs of businesses/ business units or are tuned to foster innovation, speed, creativity, or efficiency.

This compilation provides an overview of the best practices that we have either researched or been part of the journey in developing the same. I hope your organization will be able to benefit from the insights of this whitepaper.

**Mervyn Raphael**

**Managing Director, People Business**

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# Executive Summary

This report analyses the best practices in the industry, giving a comprehensive view of how organizations around the world manage performance. It includes the summary of the best practices of companies from various industries spanning Manufacturing, FMCG, Media, and Knowledge Process Outsourcing. This report focuses on three key areas: Performance Planning, Performance Review and Performance Evaluation. Key findings from the report are listed below:

**3M India** as an organization takes a lot of pride in doing their performance management right. The planning process is enabled through Hoshin- Kanri, where the organizational priorities are clearly defined and cascaded. The organization also puts in considerable effort to create a participative approach for performance evaluation and there is a strong talent and career program to support the outcomes.

**Company 2** uses a combination of bottom-up and top down approach for performance planning. The Management Committee conducts several meetings to align and interlock the goals at all levels which are then cascaded to the leadership team and finally translated into department KPI's. The focus is on ensuring that the goals have clearly defined KPIs.

**SABMiller** has a philosophy of building engagement through it's performance management process. It practices an innovative approach to performance review where they provide continuous feedback to their employees. At least 10 or more conversations are recommended throughout the year and as a result the company has seen a remarkable increase in engagement level scores.

**Company 4** has recently moved from yearly performance rankings to frequent "check-ins" where managers provide employees targeted coaching and advice.

**Viacom 18** has aligned its performance management program to reflect the business needs. In order to develop creative teams they make use of both fixed and open goals. Open goals revolve around innovation, path breaking ideas and creative inputs.

**Company 6** has evolved its performance management process as an ongoing process which makes it unique. Employees are rated separately for each of the projects worked on during a year and all the individual ratings are used to arrive at the final rating. The organization has invested in developing performance coaching skills of managers.

**Company 7** The performance ratings and its outcomes are a combination of performance and potential. Employees are rated based on a nine-box model and this enables the organization to take calls both on the basis of performance and potential.

This research throws light on the current trends and also on how organizations can be more effective by making their performance management practice more relevant and practical.

## Interview with Dr. Arvind N. Agarwal

President HR & Corporate Development, RPG Enterprises

### **What are the key trends that you see in the performance management space?**

It is interesting to note that performance management is evolving and one of the latest trends in performance review is of “Crowdsourcing”. Rather than performance review and evaluation being seen as a dreaded event, one can make it more real time by sourcing the performance information from all relevant stakeholders including the manager. This can serve as a powerful tool for recognizing right behaviors and values in addition to the results or outcomes.

The second interesting trend that I see is companies are trying to reverse the focus on “the process” of performance management to enhance its relevance. One of the approaches taken in the name of fairness was to make performance management process very stringent that took away the role of the employee in the whole process. In order to make it more relevant to employees and other stakeholders in the process, organizations have adopted various approaches. For example at Zensar technologies, we have given freedom to business heads and managers to decide on the distribution of rating and managers are also given discretion on the distribution of rewards. However, we have defined broad guidelines by enabling managers to share with each other on how they plan to do the rating and outcomes of it – learning from each other than HR mandating a particular way.

### **Are the workforce trends going to change how performance management is going to be done?**

We can see the trend on how the work force is going to have more “free agents” – specialists and consultants in their fields who are going to be more driven by their own contracts and outcomes. The classical performance management is not going to work for them. I can also see a lot of youngsters who are looking at shorter stints – they would like instant feedback and may be contribute their best in 2-3 years that they stay in the organization. The focus on how they receive real-time feedback is going to be more relevant than year end appraisals.

# Interview with Dr. Arvind N. Agarwal

President HR & Corporate Development, RPG Enterprises

## What is your view on forced ranking?

It is very difficult to get forced ranking right or accepted. The basic premise of goal setting is that the goals should be relevant and should be aligned to the potential of the employee. The employee is expected to deliver on these goals and not to be compared at the end of the day what others are doing or have done. This process takes away the role of the manager or what an employee could do best on his/her goals. The basic fairness is missing in a forced ranking mechanism and it makes employees and managers play defensive. They should look at alternatives if the process is not working for them.

## How can we improve managerial effectiveness in performance management?

Organizations should improve skills of managers in managing performance – providing relevant feedback on time, supporting employee development and having career discussions. However, we also need to empower them and not let them be bogged down by a process – making performance management a chore!

*Dr. Arvind N. Agrawal, serves as the Member of Management Board and President of Corporate Development & Human Resources and of RPG Enterprises. Dr. Agrawal has been working at RPG Enterprises since 1999 and his current responsibilities in RPG comprise of HR and TQM. He served for 2 decades in the HR function in Escorts and Modi Xerox. He was awarded the National HRD Award in 1992. He is a PhD from IIT, Bombay; an IIM Ahmedabad alumnus, specializing in Marketing and Human Resource Development and BE from IIT, Kharagpur. He served as the National President of National HRD Network during the year 2000 - 2002.*

# Introduction

The new work environment requires an effective performance management system. An effective performance management should necessarily have the following characteristics. One it should set clear and unambiguous expectations and goals across distance and boundaries to cater to the geographically dispersed workforce in today's organization. Second the expectations and goals set should be agile enough to respond to the frequent changes as a result of external factors (for example the economy). Third a mechanism should be available for effective and regular feedback among all team members as there is a greater degree of interdependence due to matrix organisation structures used in the organizations. Also, employees expect meaningful work and growth which makes continuous learning in the organizations an important criterion to engage and retain talent.

Performance Management systems should also consider the demographic changes in the workforce. According to the U.S. Bureau of Labour Statistics, by 2015, millennials (also known as Gen Y) will outnumber the Baby Boomers in the workforce and by 2030 this generation will make up 75% of the workforce. As the proportion of millennials in the workforce increases, managers and human resources professionals will need to alter the performance management system taking into account the generational differences between baby boomers and millennials.

For instance, the millennial employees are more interested in getting feedback on their performance. Hence the traditional semi-annual reviews are too

infrequent for millennials and might not deliver the kind of impact sought. Designing an on-going mechanism of giving feedback would work best with the millennials. Also, if millennials get bored with their work, they end up leaving the organization; hence the focus should always be on coming up with new challenges for them so that they feel they are learning something new.

The performance management systems and processes employed by some of the best in class companies have some common features.

They:

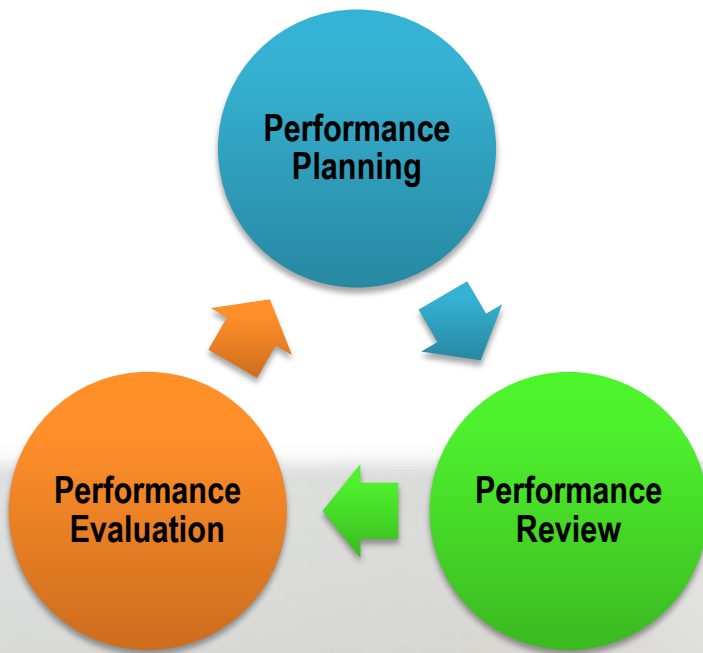
- ✚ Connect goals of each individual to the organization's mission or objectives.
- ✚ Set shorter term goals and expectations that are flexible with changing situations.
- ✚ Make continuous learning possible for every employee of the organization.
- ✚ Give and receive informal feedback in real time thus encouraging on-going conversations between the manager and the employee throughout the year.
- ✚ Enable the manager and empower him/her to be responsible and accountable for team's performance management.





# Performance Management

Performance Management is a set of guiding principles used to create and sustain a high-impact approach that engages the entire organization. Performance management is an ongoing process of communication between a supervisor and an employee for the successful accomplishment of the strategic objectives of the organization. The communication process includes clarifying expectations, setting objectives, identifying goals, providing feedback, and also reviewing results. There are 3 fundamental stages in a performance management cycle







# 1. Performance Planning

This is the 1st stage in the performance management process where the manager and the employee meet and agree on what the employee must accomplish, to what standard (e.g., sales targets), and also the competencies needed (e.g., Strategic thinking, Technical Knowledge; etc.) to effectively accomplish the stated performance objectives or goals.

The performance management process should be directly linked to and driven by the overall business planning process. There should be clarity on the Key Result Areas (KRAs) and Key Performance Indicators (KPIs). A discussion on the outcomes and also behaviors for achievement of goals usually happens at this stage.

One approach is the Top-down goal alignment cascade. In this approach Strategy Plans are cascaded to individual goal sheets in several day-long workshops. Long term goals (3 year, 5 year) goals are broken down into current year goals and initiatives. Each business/functional head deliberates on the long-term and annual plan and define key initiatives that will support the same. Activities are cascaded down the organization and translated into objectives at the individual level.

Organizations then provide individuals with a standardized list of objectives from which to choose. Objectives in the area of personal learning and growth, however, are developed via discussion between the employee and manager on an individual basis. HR supports the entire performance management process through enablement, sharing of guidelines, facilitating sessions, and audits.

Goals can easily be cascaded by answering three simple questions- WHY, WHAT and HOW for each job. We typically start with the objectives for the CEO (the highest in the hierarchy in the organization). We first answer the 'WHY' part- which explains the organization's objectives. Later we define the WHAT- which explains what needs to be done to achieve the 'WHY' component. Next we answer the question 'HOW'- which gives an action plan to achieve the objectives. The 'WHAT' component of the CEO becomes the 'WHY' component for the next person in the hierarchy. This is done until the goals are cascaded to the person who is the lowest in the organization's hierarchy.

## 2. Performance Review

Both the employee and the manager track the employee's performance and development throughout the performance cycle. They review whether improvements are required; and they also review if there are any barriers to effective performance that must be addressed. As necessary, the employee's performance plan can be adjusted to address the changing circumstances if any.

The past few years has seen a shift in how companies want to look at performance reviews.

While the focus still remains on creating a high performance organization, there is a shift in how organizations plan to get there. Companies like Adobe, Microsoft, New York Life, Motorola Solutions, Kelly Services, Juniper, and many others have downplayed focus on ratings and are today focusing more on a culture that emphasizes coaching and development. However what organizations are finding is that there is a big gap in skills across managerial levels. There is need to train managers toward becoming better coaches.

## 3. Performance Evaluation

After the performance review stage, both the manager and the employee reflect on the employee's accomplishments against the set goals and standards that have been agreed to at the beginning of the cycle i.e. during the performance planning stage. They come to an agreement on how well the employee performed during the performance cycle and what needs to be considered in terms of future goals and standards for the next cycle. This evaluation is usually tied to the employee's rewards or compensation and also performance enhancement programs. There should clarity on rating parameters and also a clear differentiation of high, solid, and low performers in terms of outcomes. It is necessary that the organization has clearly defined communication around ratings and the outcomes.

One of the key outcomes organizations are trying to drive is to differentiate rewards based on performance..

However to get there organizations need to have a process on calibrating performance across teams and departments. This builds trust in the system and ensures fairness and equity. Managers also then have a shared understanding of performance standards and expectations. They also get a better understanding of the impact others have in the organization.

The calibration process is most often used by organizations to fit performance into a bell curve. However not all organizations calibrate with the sole purpose of ranking performance. Organizations also use it to make talent management decisions and learning. Some of the recent trends indicate that a lot of companies are moving away from the bell curve.

*idea → plan → action*

# Research on Effectiveness of Performance Management



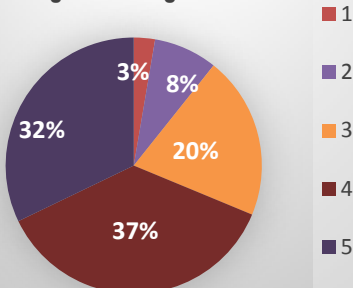
A research study was undertaken to measure the effectiveness of performance management from the point of view of a manager. 112 managers across industries like Banking, Consulting, Consumer goods, Pharmaceuticals, Financial services, Automobile, IT and Public Sector Units participated in the survey and shared their views on major challenges faced under each stage of the Performance Management cycle namely planning, review and evaluation. Each of the questions were rated from 1 to 5 – 1 being strongly disagree to 5 – strongly agree

## Key Findings from the Survey

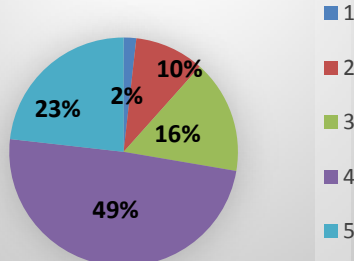
### Performance Planning

First of all, it is important to set the right objectives and goals that will drive the results you seek. Defining these objectives and goals fall into the realm of creating an effective strategy. When asked if they were aware of the goals of the organization, 77% of the respondents agreed that they are aware of the same, 69% of them agreed that their goals are aligned with that of the organization and 72% managers said that they cascade down their goals to their team members. This shows that the first step of goal setting has considerable scope for improvement.

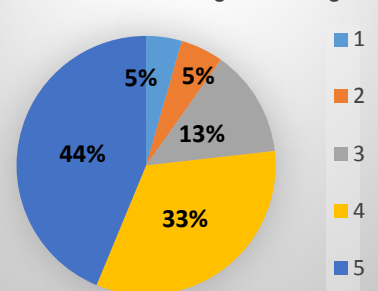
Manager's goals aligned with organization goals



Manager has cascaded down his/her goals to team members



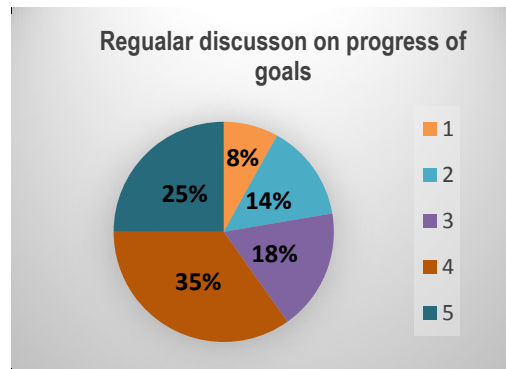
Awareness of organization goals



# Key Findings from the Survey

## Performance Review:

Performance management is an on-going process rather than a one-off annual event. To get real value from performance management activity, feedback, conversations and reviews need to be frequent and on-going. Managers must regularly discuss the progress on their team members' goals. Our survey showed that 60% of the managers have a monthly discussion with their team members on the progress of their goals.



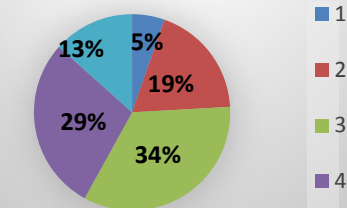
## Performance Evaluation

Measuring/evaluating performance is usually the most difficult part of performance management, and for good reason. The performance management system must allow employees to identify and document learning associated with performance goals and competency development. It must also encourage them to think about and plan their career development and related activities. Only 42% of the respondents feel that the performance management system helps the employees in career development.

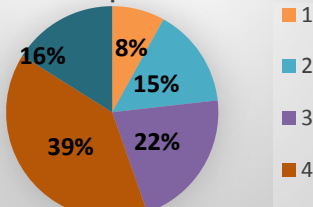
Creating a system that clearly distinguishes between high performers and low performers is extremely important as it provides the basis for compensation differences, rewards and incentives, and training requirements for different performance levels. Just 38% of the managers feel that the Performance management system in their organization enables a clear distinction between high and low performers. It is very important that employees understand a clear linkage between performance and associated rewards and recognitions. 55% of the managers surveyed said that they understand the linkage between performance and rewards.

Human resources play an important role in ensuring that the process is fair, accurate and managed appropriately. Their support to managers during the performance management process is of utmost importance. Only 37% of the managers surveyed feel that they get sufficient amount of support from the HR's in the performance management process in their organization.

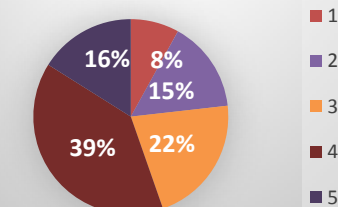
PM system aids in the career development of the employees



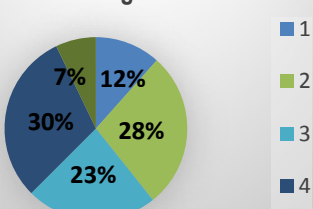
Clear distinction between high and low performers



Linkage between performance and rewards



HR's support in performance management





# **Best Practices in Performance Management**

**Case Studies on the PMS Approach in Various Industries**



# Case Study: 3M

## 1. Performance Planning:

It uses an extensive process of planning through cascading of global goals and also country priorities.

### Goal Alignment:

The company uses a methodology that translates a 5 year Strategy plan to yearly goals. This is then aligned to the key initiatives to achieve the yearly goals. Each of the goals are clearly aligned to an individual. Each business/functional head deliberates on the 5 year and annual plans and comes up with key initiatives that will support the same. Day long workshops are held to translate this into goals and sub-goals for the team. Clear accountability is chartered out with review mechanisms embedded in the performance management process. HR supports the entire performance management process through enablement, sharing guidelines, facilitating sessions, and audits. They follow the Hoshin Kanri Process for Strategy cascading and deployment.

### Hoshin Kanri Process for Strategy Cascading and Deployment:

The Hoshin Kanri Framework is a systematic planning methodology for:  
Defining the long-term key objectives of the organization or company

Ensuring the implementation of 'business fundamentals' required to successfully run the business on a daily basis.

The plan generated by the Hoshin process is hierarchical in nature, with the corporate objectives determining the corporate strategies which, in turn, are supported by lower-level strategies that cascade down the organization. In effect, the goals of every individual should support the goals of the next person up in the hierarchy. Every strategy further consists of tactics or actions that need to be undertaken to accomplish the strategy.

They use the X matrix which starts with 5 Year breakthrough objectives that are cascaded to annual objectives and then to improvement priorities and also mentions the targets to improve. The individual responsibilities are also mapped through the "Bowler Chart" – which clearly tracks the progress on key goals with reference to the owner.

## 2. Performance Review:

A Mandatory Mid-Year Review is performed in order to incorporate any course correction if required. Managers can also give appreciation at this stage. It uses a Monthly Review Bowler Chart which is used to track the targets achieved in every month.

*"It is the objectivity, fairness, standardization of processes, the multi level normalization process along with the leadership commitment to the process that makes the difference in our performance management process  
– Maclean S Raphael, Executive Director HR, 3M India and Sri Lanka*



# Case Study: 3M (Contd..)

## 3. Performance Evaluation:

### Pre Management Team Review

Here the appraisee presents his/her achievement against goals to the Appraiser. The appraiser listens and rates the appraisee. The key differentiating factor is that there is no self-evaluation (rating) by the employee. The onus of completion is on both the employee and the manager.

### Management Team Review (MTR):

MTR is moderated by the skip level leader for all appraisees. Finalization of ratings for each employee is done at this stage and the ratings are done for each group across Job Levels. The distribution curve can vary depending upon business performance.

### Post Management Team Review:

In this review, appraiser communicates the final rating to the employee. They discuss further development plans for the employee. Appraisee knows that it is a post normalization rating and not the manager's decision alone.

The ratings are also done on key talent outcomes like promotions, placement in the job, and potential.



# Case Study: A Global FMCG Major

It uses a combination of top down and bottom up approach for performance planning. Several management meetings are conducted to align and interlock goals at all levels. A 5-year rolling strategic plan is discussed in the middle of the year. The process is a mixture of bottom up, where inputs from all levels are taken in building the strategic plan. Management Committee (MC) takes an active role in aligning and interlocking the goals at all levels. Goals are then cascaded to the leadership team and then translated into department KPI's. The cascading is more of a top down process with the MC Meeting to the Leadership Meeting and then finally to Department meetings. Goals are cascaded from leadership team to department KPI's.

The focus is on ensuring that there are only 3 Business Goals and 1 Developmental Goal. The development goal has clearly defined KPIs, Milestones and required support and is treated like a normal goal. 3 important Business Goals

are taken with not more than 2 clear KPIs per goal (total 6 KPIs). Target and Stretch around the Target is clearly discussed and communicated. Development Goals (IDP) is also agreed upon – for current or future roles. Equal weightages are given to this (3 + 1) scheme. Individual's goal correction can happen anytime during the year but no goal is allowed to drop so that the aggregate is always met. Experience has shown that cascading meetings are crucial since the KPIs and the kind of support provided to achieve them is discussed in detail and agreed upon. Individual Development Plan goals are discussed in detail and what support will be provided from the manager is agreed upon. Development goal has clearly defined KPIs, milestones and required support and treated like a normal goal. Every aspect of goal sheets like KPIs, stretch targets, intermediate milestones, required support and resources etc. is discussed and agreed upon in detail.

## Highlights: Company 2

Combination of bottom-up and top down approach

Goals cascading is ensured by the Management Committee

The focus is on ensuring that the goals have clearly defined KPIs

# Case Study: SABMiller

SABMiller adopts an innovative approach to performance review through continuous feedback. At least 10 or more conversations are recommended and all these discussions are captured on their performance management system.

The discussions could be informal but still follow a set structure of:

- ✚ Personal Front (Vacation plans, family issues etc.)
- ✚ Performance against goals (Scope/need for goal revision)
- ✚ Short Term Focus (Plan for next 4 weeks - do you require any support on that?)
- ✚ Feedback (Both ways and open feedback where can share any team level issues.)

At least 2 of these conversations have to be around developmental progress. These discussions are logged in the system by the employee and the manager has to approve it. Skip level manager has a visibility into these discussions and can monitor the managers/teams.

## Highlights: SABMiller India

**Continuous feedback to their employees.**

**At least 10 or more conversations are recommended**

**Company has seen more than 90 % of employees having 8 or more conversations**

The system is being implemented by the company for the last 2-3 years and is widely accepted by their employees. Everyone in the organization was trained before the roll out. Initially the employees were not comfortable in sharing the problems with their managers as they felt it would reflect negatively on them but over a period of time they have become more open. Managers and employees greatly appreciate the process and see it as a sign of success. The participation of employees and managers in this process is also high.

**"It took us almost 2 years to make this a sustainable practice. However, we all believe in it and practice it. We went through enabling sessions both as an employee and as managers during this period"**

**- Alok Ranjan, Director HR- SABMiller India**

# Case Study: A Global IT Product Firm

The company uses a unique approach to performance review. In 2012, it moved from yearly performance rankings to frequent “check-ins” where managers provide employees targeted coaching and advice. Both practices highlight the shift of the managers’ time from compliance to a performance management process to ongoing performance conversations. Some of the key changes we are seeing:

**Frequent Performance Discussions:** The key to success is that performance discussions need to happen regularly and cannot be left for the mid-year or the annual review. The focus of the conversations should be to be able to help individuals:

- Support them create meaningful goals (Ensure that they are aligned to what's most important)
- Give specific and timely feedback on how they are doing against those goals
- Have the conversation about when they're going to be ready to move onto something else and the help needed to prepare them for that

## Online tools to support continuous coaching:

The HR team use “Connect,” the company’s Web-based meeting platform, to host leader-led sessions in which Check In concepts were introduced. They also took more informal social sessions with employees to get feedback on the approach. HR team also adds support tools and resources to its employee resource center for managers to use when conducting Check In conversations.

It uses ongoing “pulse survey” which is given to a random sample of employees. It includes measures of how well each manager sets expectations, gives and receives feedback, and helps people with their growth and development

## Highlights:

- ✚ Frequent “check-ins”
- ✚ Managers provide targeted coaching and advice.
- ✚ “Connect”- Web-based meeting platform
- ✚ HR adds support tools and resources to its employee resource center to aid “Check In” conversations

# Case Study: VIACOM18

Viacom18 has evolved its performance management practice in India and closely aligned it to the needs of the M&E industry and the business. The focus is not only on driving an effective process but also to make the management of performance a part of the organizational culture. Process effectiveness is driven by a focused, well thought out implementation that supports the “performance journey” of the organization.

## The performance philosophy

This is based on the fundamental principles of transparency, equity, fairness and differentiation. The Performance Management council (PMC) is an independent peer body consisting of business leaders across units and functions which owns and governs this philosophy and enables the principles above to drive the performance journey. The PMC meets regularly to deliberate on the process norms while HR plays a governance role.

## The performance process

The first and most important step of the

process is planning. This takes place in the form of long term and short term planning. The long range planning looks at the business outlook for a 5 year window. Market and industry dynamics are analyzed for each business unit and the long range planning captures business growth opportunities and key initiatives/ action to be taken. The long range plans then form the basis for devising the strategy maps of each business unit and function and hence business strategy drives performance management at Viacom18.

The organization follows a uniform Balanced Scorecard approach to performance management which is a unique proposition in itself for a creative business. The organization’s strategy map helps define the balanced scorecard for the CEO. This is then cascaded down to the direct reports and then further down to their teams.

What differentiates them is that the balanced scorecard process is aligned to the requirement of a creative industry like M&E



***Performance Planning and alignment process at Viacom18***

# Case Study: VIACOM 18 (contd.)

and reflects the context in which Viacom18 operates. Clear guidelines have been established regarding type of goals (financial, client, process or people) and weightages for them depending on an individual's level and function.

At the same time, goals become more input focused rather than outcome driven by definition down the organizational hierarchy. This aids organizational alignment and reinforces shared responsibility while simultaneously tracking individual capability. It also helps clearly define roles and responsibilities along with sharp performance indicators.

In addition, the system is relevant for and adaptable to core business functions like creative as well which are more subjective / qualitative in the nature of their impact. A combination of fixed and open goals is used in individual scorecards to make the creative function performance more measurable. Open goals revolve around innovation, path breaking ideas and inputs thus encouraging creativity.

Viacom18 encourages ongoing review and feedback with managers being trained on providing feedback and understanding the performance philosophy better. A 5 point scale is used for performance evaluation with inbuilt stretch which is strictly deployed. Calibration sessions are led by the business unit heads and facilitated by the HR team and these ensure that individual's ratings are calibrated across levels and functions ensuring fairness and equity across. Business unit level and organizational performance are also taken into account to ensure a holistic view of performance.

This performance journey has enabled a performance philosophy which emphasizes differentiation. This has had a positive impact in enabling differentiated, transparent and merit based rewards processes as well.

A robust, customized and user- friendly online platform enables these complex processes for Viacom18. The organization is also in the process of upgrading to a more mature HCM system as one of the key next steps in its performance journey.

It is very heartening to see how business leaders now own and drive performance management at Viacom18. This, in itself, is a validation of how driving performance has now transcended into being a business enabler rather than an HR initiative. This journey began 4 years ago and we have been able to establish an objective, fair and equitable performance management system."

- Abhinav Chopra, Head HR, Viacom18 Media Pvt. Ltd



# Case Study: A Global Consulting Firm

The Performance Management system at Company 6 is an ongoing process which makes it unique. Employees are rated separately for each of the projects performed during a year. The ratings are based on the competencies required by the employees to perform in each of the assignments or projects. The final rating would be based on all the scores obtained for individual projects.

The company's Software Development Center based out of Bengaluru has invested in building a culture of performance coaching. A performance coaching skills program customized to new and experienced managers was conducted to up skill managers and also provide them with real time experience of coaching. The leaders in the organization also were trained on coaching skills and were sponsors for the program. The program partnered by People Business supported enabling managers through increasing self-awareness through a multisource feedback, conceptual understanding through workshop and experiential learning through real-time mentoring

## Highlights: Company 6

- ✚ Ongoing process
- ✚ Ratings given for each of the projects performed in a year

# Case Study: A Large Media Firm

The key differentiating factor at Company 7 is the consistency of process deployment.

- a. **Process and infrastructure:** All the employees in the organization are covered. Online tool are used. Goals kick start by April and Mid-Year Review happens in September. Evaluation is done during both mid-year and final. Planning process with CEO, Top management and key board members evolve the balanced scorecard. Goals are cascaded based on the balanced scorecard.
- b. **Rating:** Ratings are based on a nine-box model. Competency assessment is done for assessing the potential of the employees. Performance ratings are grouped as high, medium and low.
- c. **Action:** Bottom 5 % asked to leave after a PIP (Performance Improvement Plan). Only employees who are in the top part of the nine box (Average and above in potential and performance) are eligible for promotions.

Increments are based on performance ratings and compa ratio (can be 0 to 20 %). Variable pay is based on a kitty decided upon function/ department performance and individual performance (8 to 15% upto 20 % in sales).

## Highlights: Company 7

- + Balanced scorecard is used in Performance Planning.
- + Goals cascading based on the balanced scorecard.
- + Goal setting kick start by April and Mid-Year Review happens in September.
- + Only employees who are in the top part of the nine box (Average and above in potential and performance) are eligible for promotions.

# Recent Trends in Performance Management

- ✚ **Direct Employee Feedback:** Companies seek employee feedback on newly launched processes, from the perspective of fine-tuning and also proactively understanding challenges on the ground. There is also a shift from compliance checking to reviewing the quality of the process.
- ✚ **Structure & Support** – some learning's: Companies highlight the need for 'champions'. Leadership needs to visibly support the initiative by them using the tool. Through the organization skip-Level reinforcement is a key to ensure success.
- ✚ **Multi Source Feedback:** Individuals are not working in isolation, so the manager cannot be expected to rate the individual without peer input. For example Google asks individuals to nominate 3-8 peers for feedback. Increasingly companies are also supplementing this with 'real-time' feedback to and from managers, peers, direct reports, and others.
- ✚ **Measurement:** This continues to be an area that organizations are innovating and redefining. Companies are moving away from simply measuring compliance (for example % of employees who have completed their appraisals) to more qualitative measures on the impact it is having on outcomes. For example, engagement Surveys- Mature organizations are looking at performance conversations as a big driver to engagement and hence engagement scores are an indicator.
- ✚ **Building a coaching culture:** Companies moving to regular performance discussions highlight the importance of shared accountability. Managers should learn the art and science of formal and informal feedbacks throughout the year. The employee needs to be engaged in these discussions and be open to the feedback and take action on the same.
- ✚ **Companies are moving away from the bell curve:** A lot of companies are moving away from the traditional bell curve. Under Welch's model at GE, the top employees would receive bonuses and rewards as motivation, and the bottom 10 percent would be fired — giving it the nickname "rank and yank." The aim is to motivate mid-range employees to become top performers, with productivity — and profits — presumably increasing as a result.

However organizations are responding to the fierce battle for talent at the workplace. For example, KPMG has been revisiting its employee engagement policies, performance management and hiring strategies to shield key people from competition and fill talent gaps. Beginning April 1, 2015 KPMG is launching a pilot that plans to do away with the widely used and much debated bell curve-based performance appraisal in the next financial year and rate employees on the basis of their respective business, team and individual performance. "...It will help dismantle the artificial barriers imposed by the bell curve", said Shalini Pillay, head of people, performance and culture at KPMG in India.

## Recent Trends in Performance Management (Contd...)

With a greater focus on teamwork and collaboration companies are increasingly questioning the value of force fitting a bell curve. A Harvard Business Review article in 2012 attributed Microsoft's "lost decade" to the rigid implementation of the bell curve that incentivized engineers and developers to compete with each other than to collaborate, and to curry favor with managers. In February 2015 Francine Katsoudas, chief human resources officer at Cisco said that "...decision that we have made... is that we're going to move away from ratings. And we're going to move away from the concept of the annual review".

The trend is that with the focus on people and enabling performance rather than measuring and rating, organizations are looking at alternatives to mechanisms like forced ranking and in that process providing more enablement to managers and employees. Some companies that have made changes are highlighted below:

Company	Practice
Cisco	<ul style="list-style-type: none"> <li>Managers are expected to have four informal discussions</li> <li>Focus is on the quality of discussions (Align goals, feedback of performance &amp; development discussion)</li> </ul>
	<ul style="list-style-type: none"> <li>As of November 2013, Microsoft eliminated its forced curve rating system</li> <li>Greater focus on teamwork and collaboration</li> </ul>
Microsoft	<ul style="list-style-type: none"> <li>More timely feedback</li> <li>Greater flexibility for managers to hand out rewards as they see fit, as long as they stay within budget</li> </ul>
	<ul style="list-style-type: none"> <li>Check In conversations are required once a quarter</li> <li>Earlier managers were given budget for compensation, with parameters based on rankings and ratings. Under new process Check In, managers are given a budget and then are left to determine how it's distributed.</li> </ul>
Adobe	<ul style="list-style-type: none"> <li>No tool/system used</li> </ul>
Google	<ul style="list-style-type: none"> <li>April 2014, Google eliminated forced curve rating</li> <li>The system has 3 parts – Self Evaluation, Peer Evaluation (3-8 peers chosen by individual)</li> </ul>
	<ul style="list-style-type: none"> <li>Annual appraisal &amp; midyear check in</li> </ul>
	<ul style="list-style-type: none"> <li>Done via an online tool</li> </ul>

On one hand we see organizations are changing. Organization structures are becoming flatter as companies need to be more agile. And at the other end we know employee needs and demands are changing too. People are looking for meaningful work, work that is rewarding and enjoyable. All this is happening in the context of organizations facing a shortage of key talent. To be successful in this scenario, organizations will need to now focus on:

- Ensuring employees are aligned to shifting priorities
- Employees getting coached and
- Creating all processes that help in building a culture of passion and engagement



# Conclusion

- ✚ Today in the area of performance planning, goal cascading is employed by the top companies to link individual goals to the business objectives. An important aspect in performance planning is to have clear KPIs for every goal given to the employees so that they can be effectively measured and tracked.
- ✚ In the area of performance review, companies conduct a Mid-Year review in addition to the annual review where the goals/objectives can be modified if required. However, there has also been a shift in the recent years to continuous feedback rather than an annual review.
- ✚ Multi source Feedback (MSF) is getting very popular as individuals are no longer working in isolation and thus the manager cannot be expected to rate the individual without getting peer inputs.
- ✚ In the area of Performance Evaluation, rewards should be tied to performance as is the case in most of the organizations. In recent years there is a definite trend of the top companies moving away from the forced ranking system or the bell curve towards a more flexible system.

# About People Business

People Business is a leading HR and Leadership consulting firm with offices. We focus on providing expertise in the areas of HR Transformation, Leadership Development, Employee Engagement, and Employer Branding. People Business has supported organizations in evolving new and contemporary practices in the area of performance management through

- Conducting detailed audits and co-creating the way ahead in terms of improving performance management practice by sharing best practices
- Improving the skills of managers in delivering a signature performance management experience
- Aligning the performance management program to other key employee outcomes like talent, career and rewards and recognition.

For more details visit us at [www.peoplebusiness.org](http://www.peoplebusiness.org)

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