



NEED FOR RECONSTRUCTION: STATE OF PERFORMANCE MANAGEMENT IN INDIA - 2017



SALTO DEE FE CONSULTING SERVICE PVT. LTD., C220, TOWER C, 2ND FLOOR,
NIRVANA COURTYARD, GURGAON, HARYANA – 122018

About Salto Dee Fe & Karma Notes



Salto Dee Fe (www.saltodeefe.com) is a business enabling consulting firm that has developed a niche and works at the intersection of Strategy & Execution and Business & Human Resources.

- We partner with organizations to smoothly launch their business to the next phase of growth
- We focus on the two primary pillars of Human Resources in any organization - shareholders (with focus on profits and governance) and employees (with focus on execution)
- We make sure that revenue and support functions talk to each other and people are enabled to deliver whatever the business demands from them.

We operate in 5 functional areas i.e. Talent Management, Leadership Training, Organization Transformation, Employee Retention and People Decisions. In Talent Management, we partner with Marc Efron, Author, One Page Talent Management and President, Talent Strategy Group to bring cutting edge Talent Management thinking to our clients in India. We also have three products called OPTM360, RF4 and Karma Notes (www.karmanotebook.com).

Over the last 6 years, we have worked with 65+ clients out of which more than 45% have given us repeat business and 25% have given us business more than 2 times.



Karma Notes is a product created by Salto Dee Fe Consulting in Partnership with The Talent Strategy Group, USA and Path InfoTech. This tool enables instant anytime feedback and feedforward and is also an answer to all the performance ratings and bell curve related questions and dilemmas faced by the organizations.

Karma Notes is currently being deployed at many leading organizations across sectors and is providing a differentiated experience to over 6000 plus employees across 14 countries.

Karma Notes has also been selected as the top 10 HR Start Ups by NHRD in 2016 and was part of the HR Spotlight List published by People Matters in 2017.

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Executive Summary

Objectives of Performance Management

41% believe that achieving business goals is the primary objective of performance management system

Goal Settings

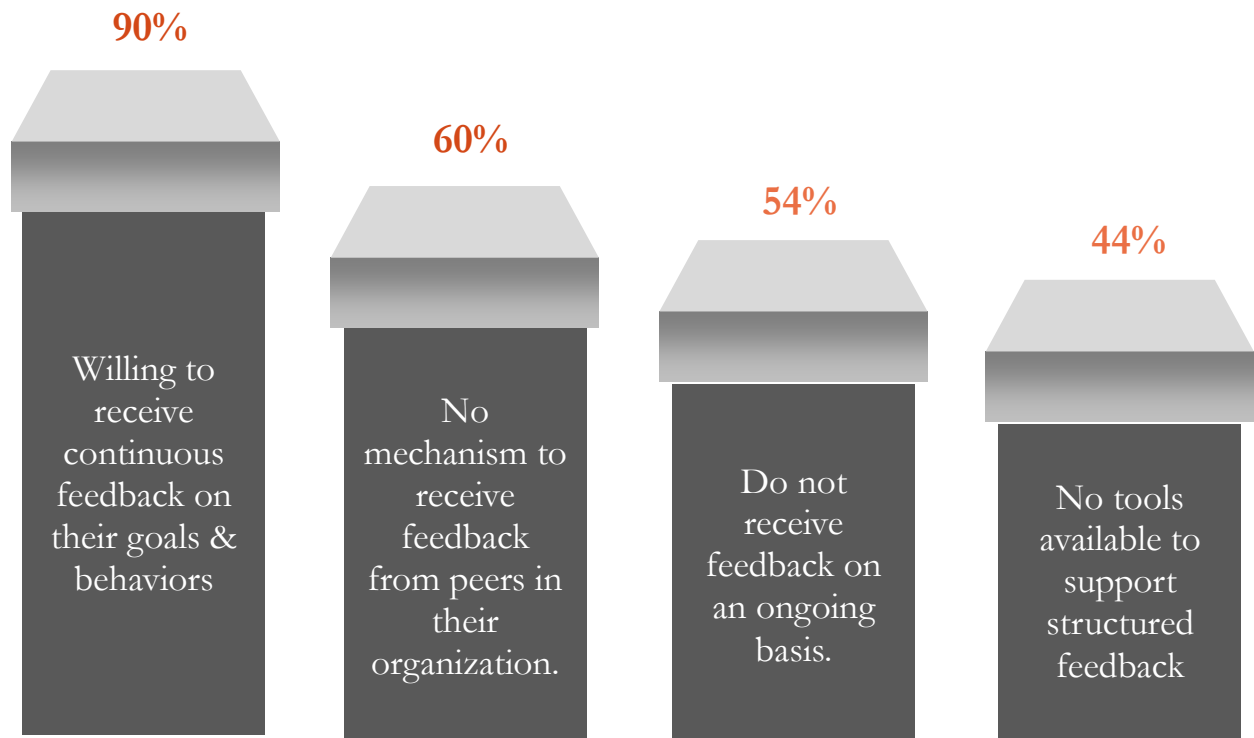
42% set their goals on an annual basis showing a clear shift towards relooking at goals more frequently to meet the changing business needs.

62% respondents are working on up to 5 goals whereas rest of the population is focusing on a higher number of goals.

58% respondents are looking for improvement in the action plan for achieving goals.

Performance Feedback

Respondents shared the following views regarding performance feedback.



Satisfaction with Performance Management

57% of the respondents shared that they are not satisfied with their existing performance management system

Future Actions

83% surveyed have made changes or are planning to make changes to their existing performance management system. Top 3 changes are:

Making the process
more transparent

Focusing on continuous
feedback

Defining team goals
rather than individual
goals

Overall the results show that it is time to rethink the performance management process and focus on key elements i.e. great goal setting, ongoing performance feedback, and coaching. Also, there is a need to enable managers to give ongoing feedback to their teams. This can be done by building this capability in the managers and providing them with an employee-friendly system that can be used for providing/requesting feedback on goal and behaviors.

Report outline

This report draws its findings and analysis from State of Performance Management System in India survey, conducted by Salto Dee Fe Consulting Service in the month of **June-July 2017**.

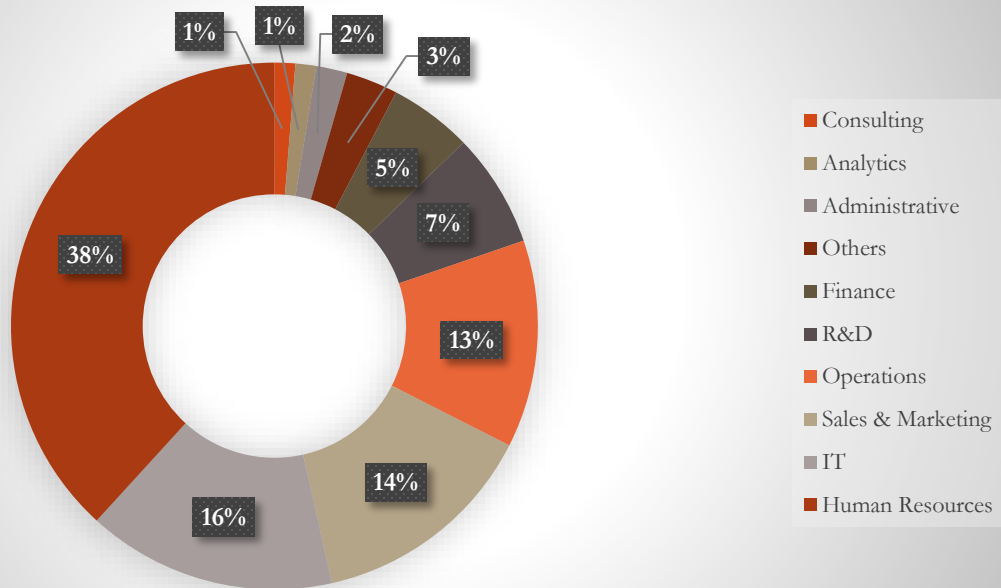
The main objective of the study is to **understand the trends in performance management across organizations** - this includes the changes already made or planned and the approaches to make the system/process better than before.

The survey includes responses from employees of organizations varying in size from less than 10 employees to more than 10,000 employees. The respondents from diverse backgrounds and different verticals and industries across the country have participated in the survey. The organizations surveyed represented a wide variety of industries and structures (profit, non-profit, multinational).

The survey questionnaire gave emphasis to policies, process, structure and satisfaction level with the existing performance management systems present in the organization. The breakup of all the responses that were received across various industries in India as shown below in Fig.1 & Fig.2.

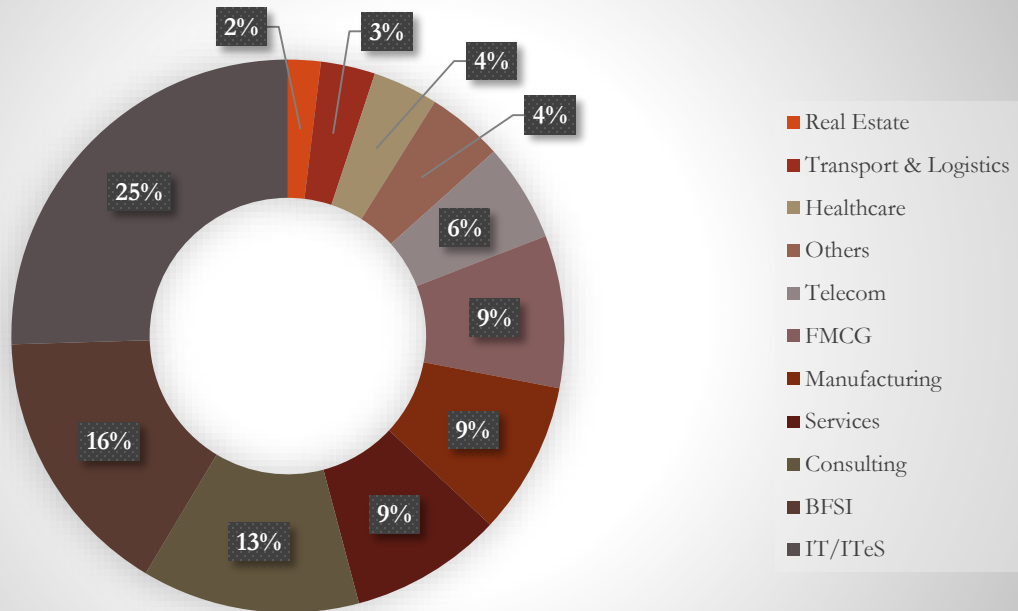
Maximum responses have been received from Human Resources (38%), Information Technology (16%) and Sales and Marketing (14%). In terms of industry, maximum responses are from Information Technology (25%), BFSI (16%) and Consulting (13%).

Fig.1 Break-up of respondents by their roles



* Others include roles like Legal, CEO, Strategy, Quality Assurance

Fig.2 Industries participated



*Others include Automobile, Engineering, Oil & Gas, Consumer Durables, Infrastructure, Education and Artificial Intelligence

Post the survey analysis, the responses were discussed with Human Resource leaders and Business leaders. Their suggestions and views have been very helpful in defining the key themes and findings of this study. The report has been structured into five different sections (Objectives of PMS, Goals Setting, Feedback, Impediments and PMS 2.0) and comprehensive results with detailed analysis have been provided.

Sample size for the survey

Target population (~ Organized Employees Headcount)	50 Million
Confidence level	95%
Margin of Error	8%
Estimated sample size	151
Initial Responses Received (Pre-Screening)	244
Final Responses used for analysis (Post-Screening)	157

We have analyzed and presented the data with the following cuts:

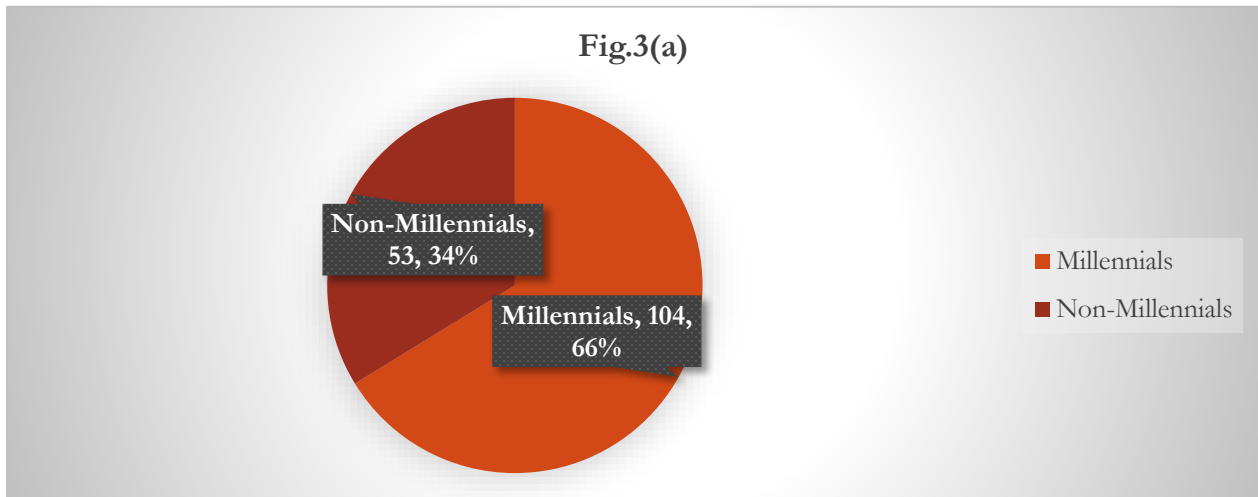
- Overall industry perspective
- Age group (Millennials vs Non-Millennials)
- Position level of respondents, and
- Size of the organization (number of employees)

The break-up of a summary of each of the responses is given below:

Age Group

Millennials: People born after 1982 i.e. ≤ 35 years working as a full-time employee

Non-Millennials: Above 35 years

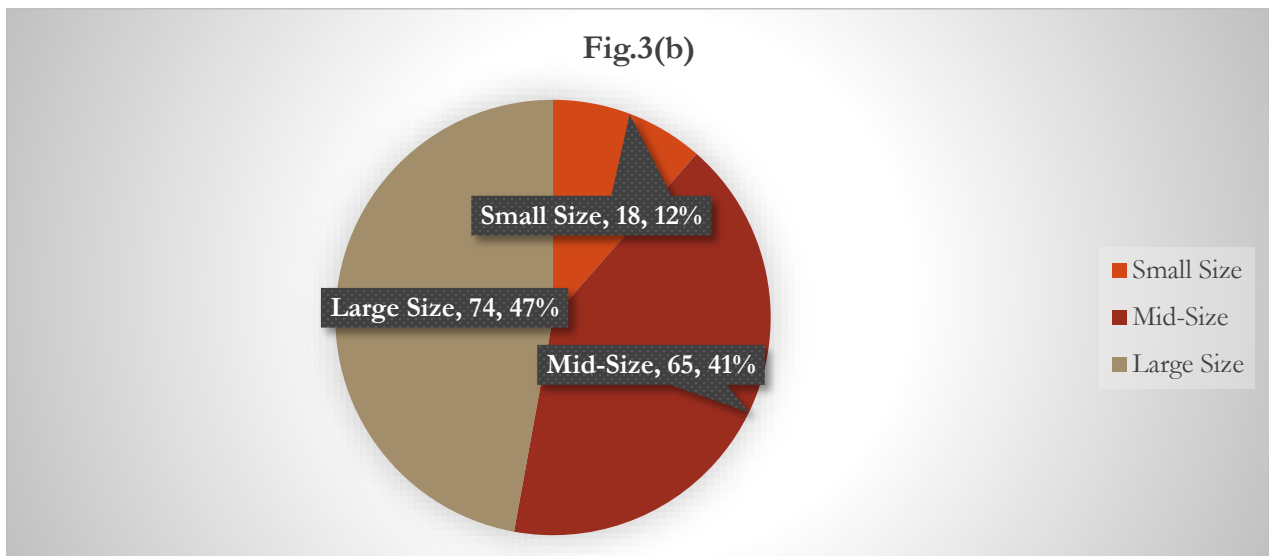


Size of organization

Small size : 1-50 employees

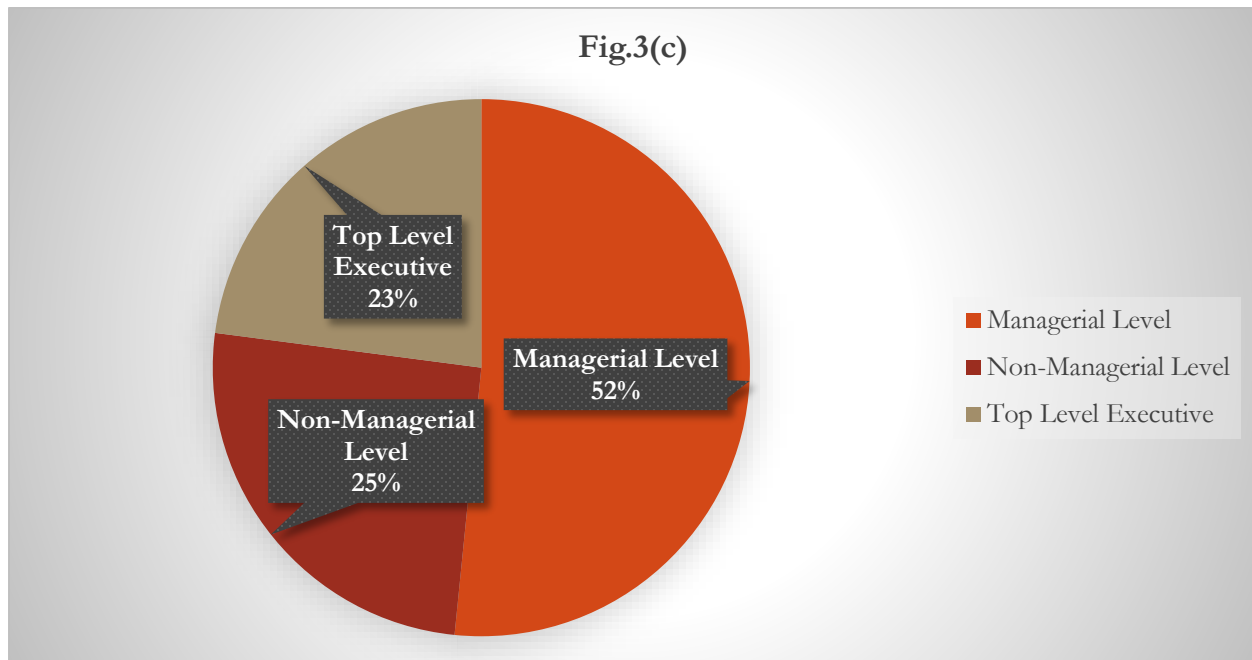
Mid-size : 51-5000 employees

Large size : 5001+ employees



Positional level of respondents

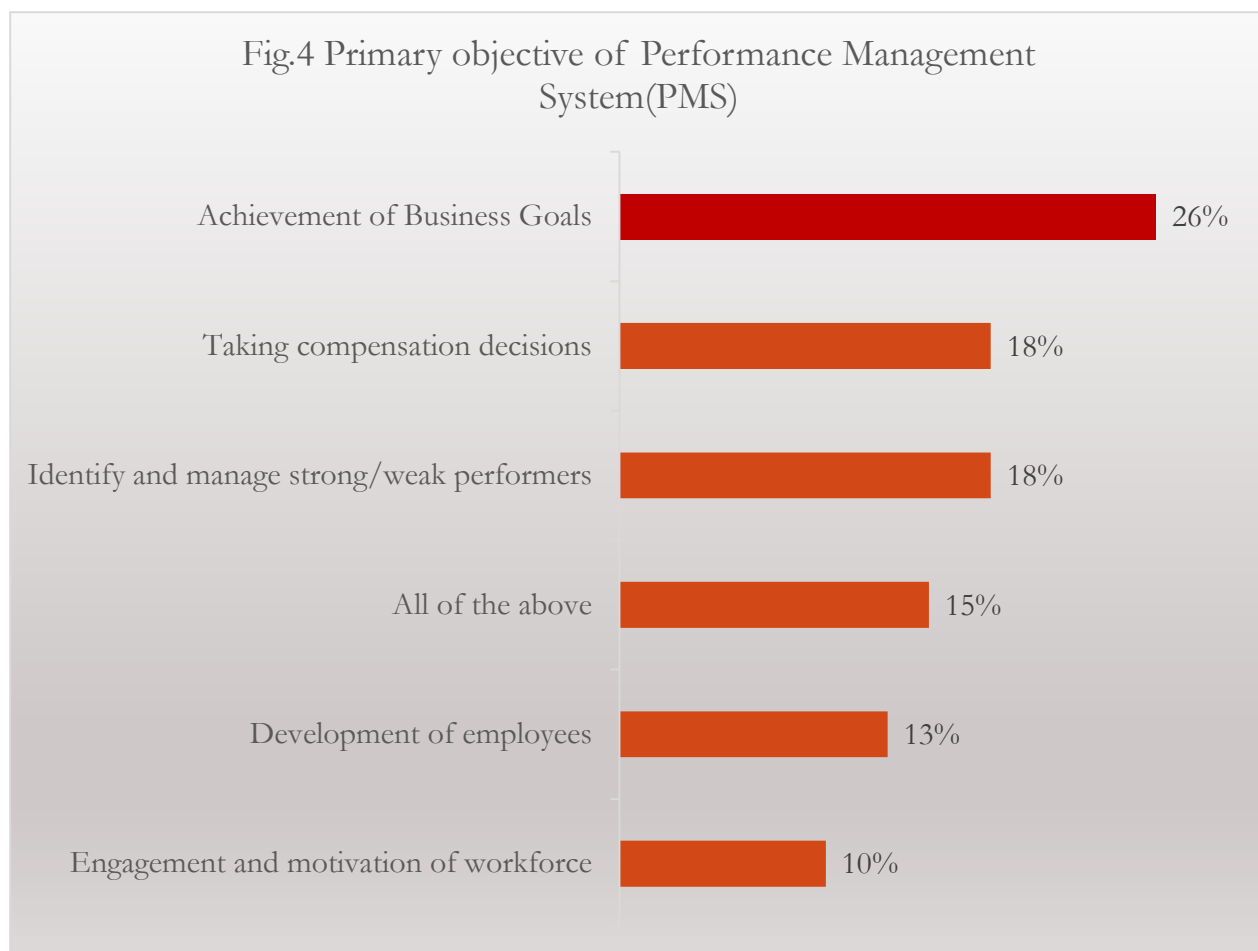
Managerial Level	:81
Non-managerial Level	: 40
Top-Level Executive	: 36



Objectives of PMS

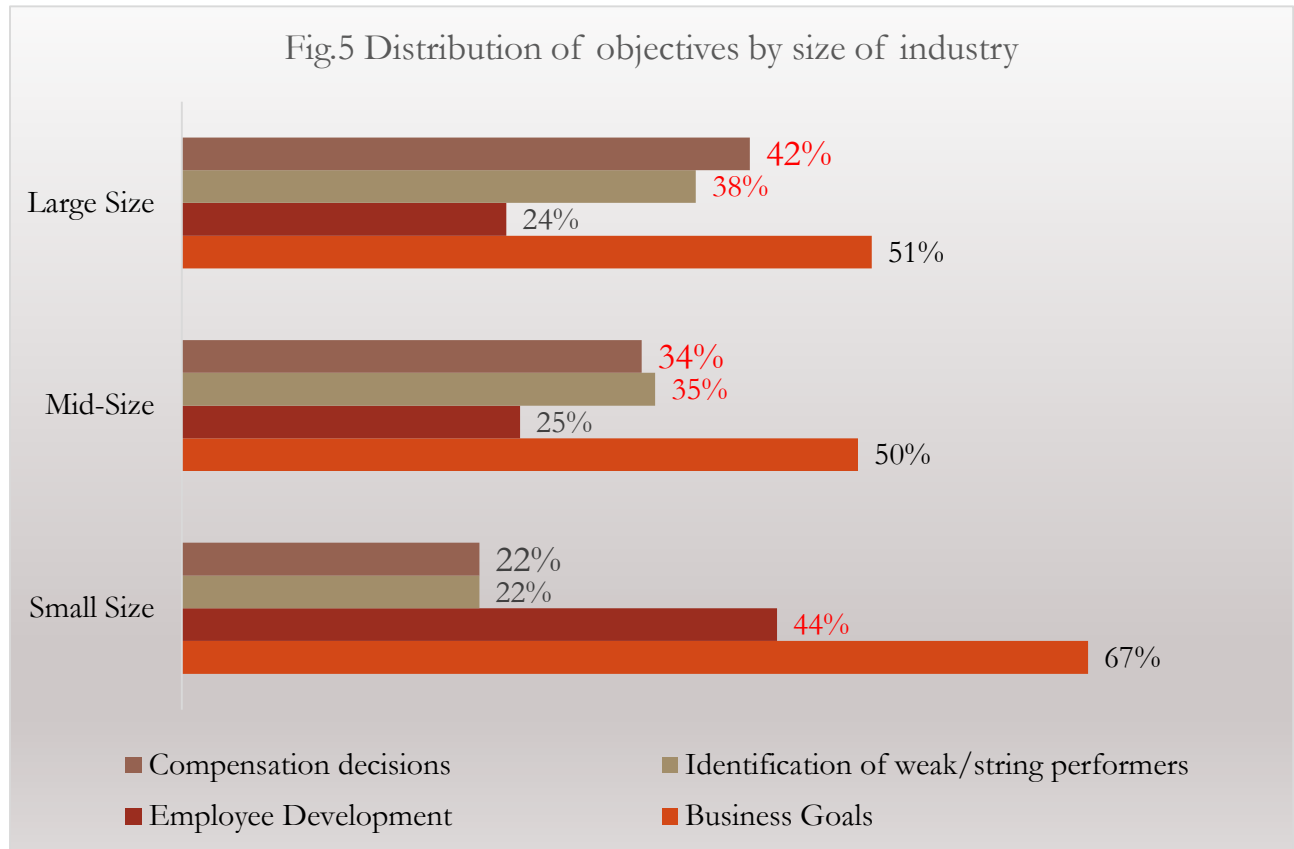
Performance management aims at creating a high-performance environment, inspire employees and achieve business and individual goals.

Our survey revealed that **achievement of business goals, (identified by 41% respondents), forms the primary objective of performance management system in Indian companies.** Compensation decisions and identification of strong/weak performers as per ratings/rankings are also key objectives of the process.



Magnitude Lens (Organization Size)

In the Small sized organization, the focus of Performance management system is on Employee Development. Compensation decisions, as well as Identification of strong/weak performers, are the focus areas for Mid-sized and Large sized organizations.



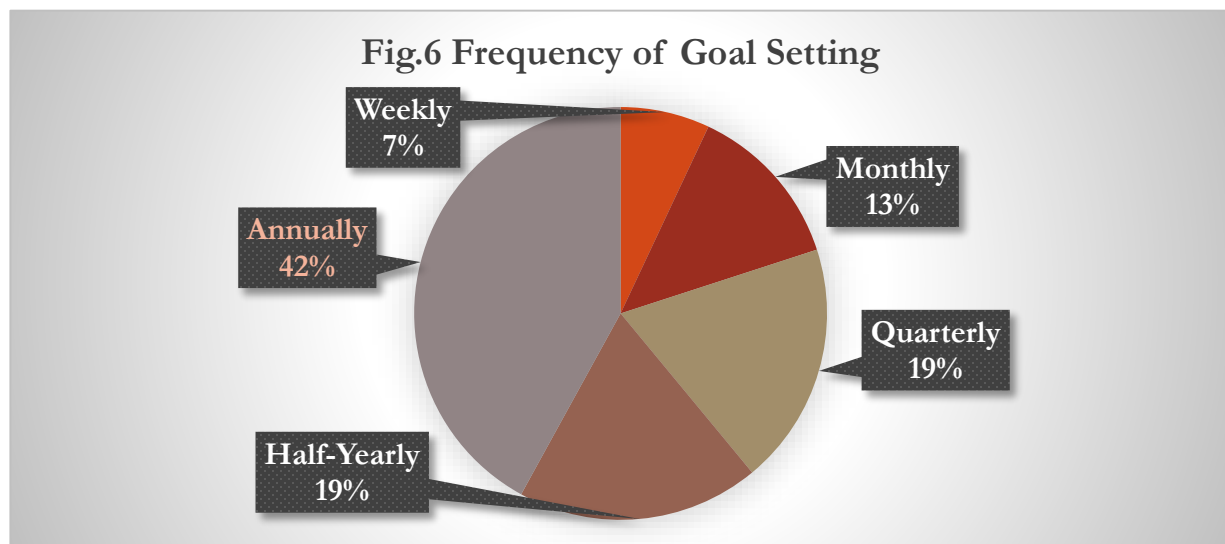
Goal Setting

Frequency of Goal Setting

Frequency plays a major role in aligning goals with dynamic changes in business environment and updating the tasks to meet the expected behaviors.

All Respondents

42% of the organizations are continuing with **annual goal setting/discussion** whereas **19%** of the organizations opt for either **quarterly or half-yearly discussions**.



Magnitude Lens

Most of the small scale companies have moved to a Quarterly / Monthly / Weekly goal setting process. On further checking we found that the primary reason for the same is changing business environment. In most of the mid and large companies, the goal setting frequency is still mostly on annual basis

Fig.7(a) Small Size

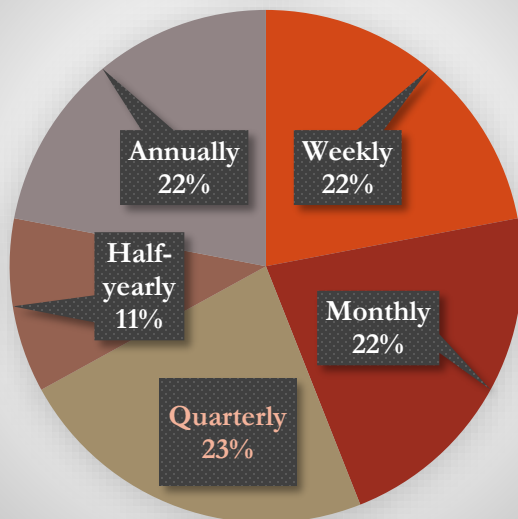


Fig.7(b) Mid-Size

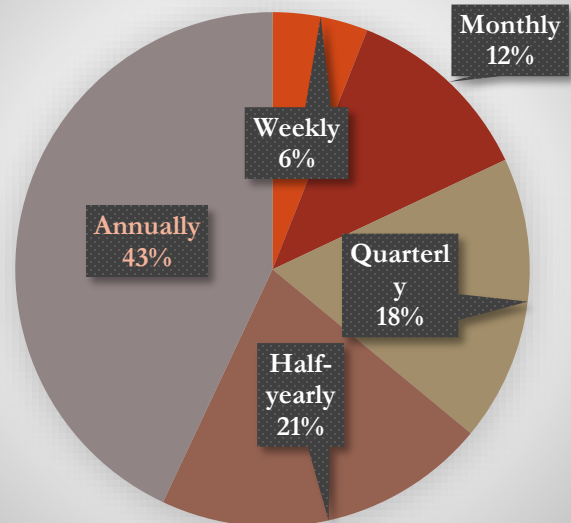
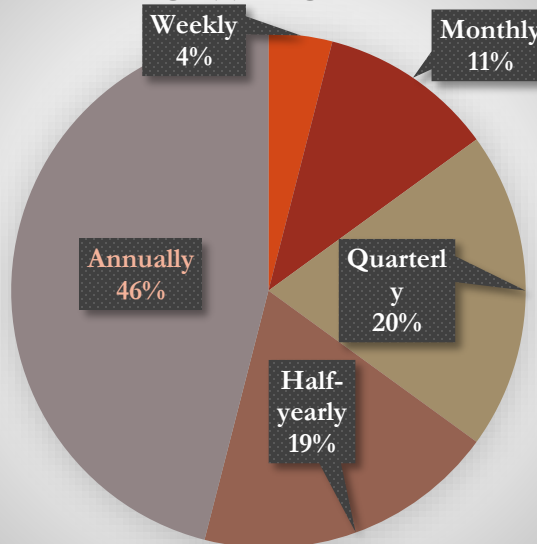


Fig.7(c) Large Size

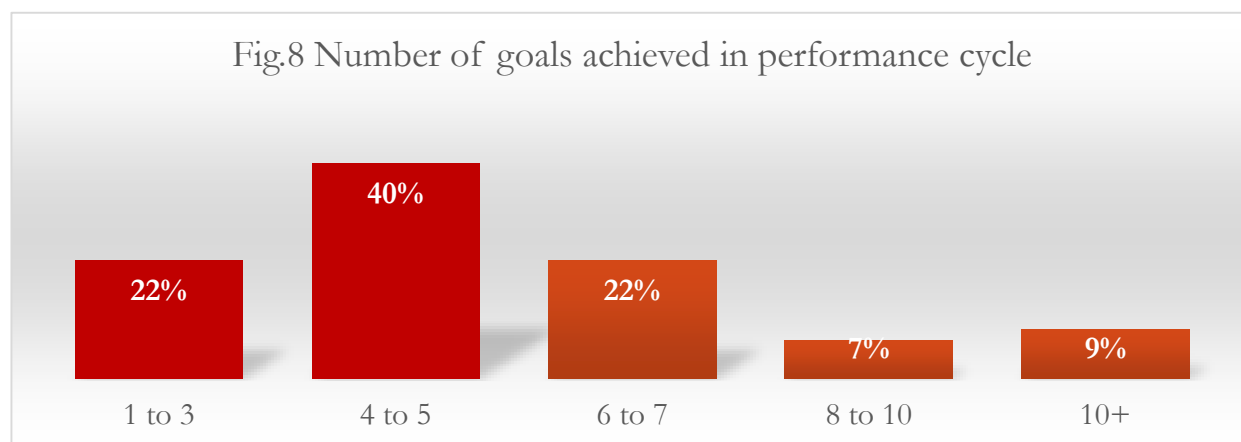


Our Point of View:

In businesses where things change at lightning speed, the goal setting needs to follow the business. If the business objectives change, individual goals need to change as well. If not, the exercise becomes obsolete. But as most of the current goal setting processes are too heavy, they aren't adapted to the new needs. We see a clear trend of more and more companies making the process lighter, but increasing the frequency of reviews from once a year to a quarterly process.

Number of Goals

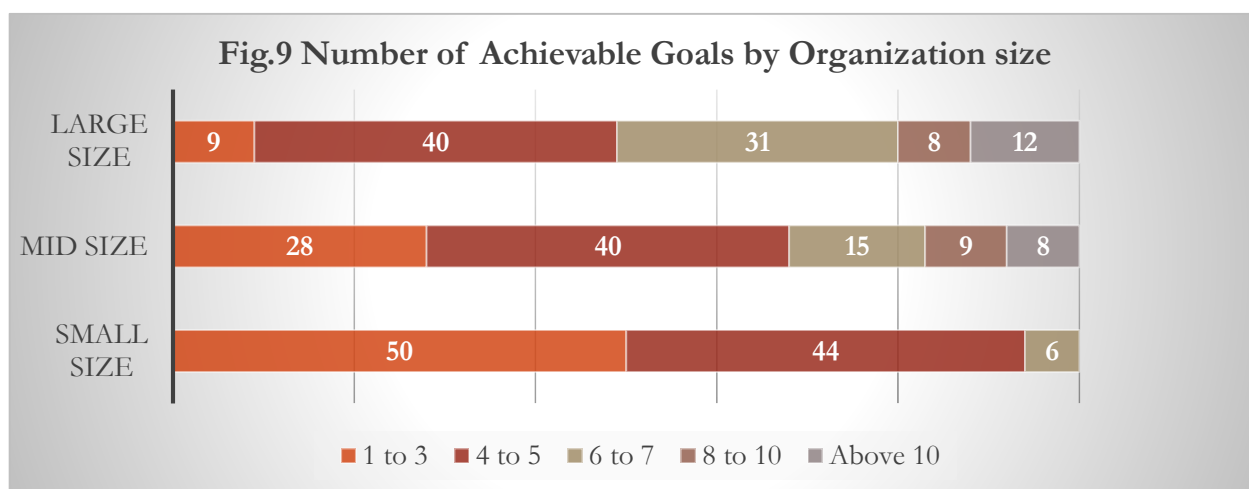
62% respondent organizations give 1-5 goals to employees where as in remaining **38%** organization number of the goal is greater than 5.



Magnitude Lens

Large size companies have a higher tendency of setting up more than 5 goals with almost **51%** respondents sharing they have greater than 5 goals.

In mid-size companies, there is a shift towards keeping less number of goals, where small size companies typically focus on less number of goals with **94%** respondents sharing that they have less than 5 goals.



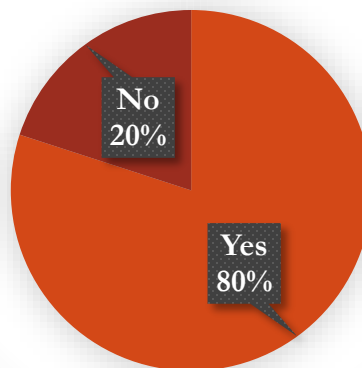
Our Point of View:

Goals aligned with self-interest motivate the most. Goal setting regardless of whether done by the employee or by his / her manager have the same effect on the accomplishment level of the goals. Too many goals reduce the effort on each one, resulting in inefficiency. Maximum an employee should be focusing on 4-5 goals.¹

Weightage for Goals

Among the respondents, **80%** have weightage assigned to goals. On further checking with the respondents we found that the weightage is defined to define the priority of the goals and build focus on the most important goals.

Fig.10 Weightage for goals



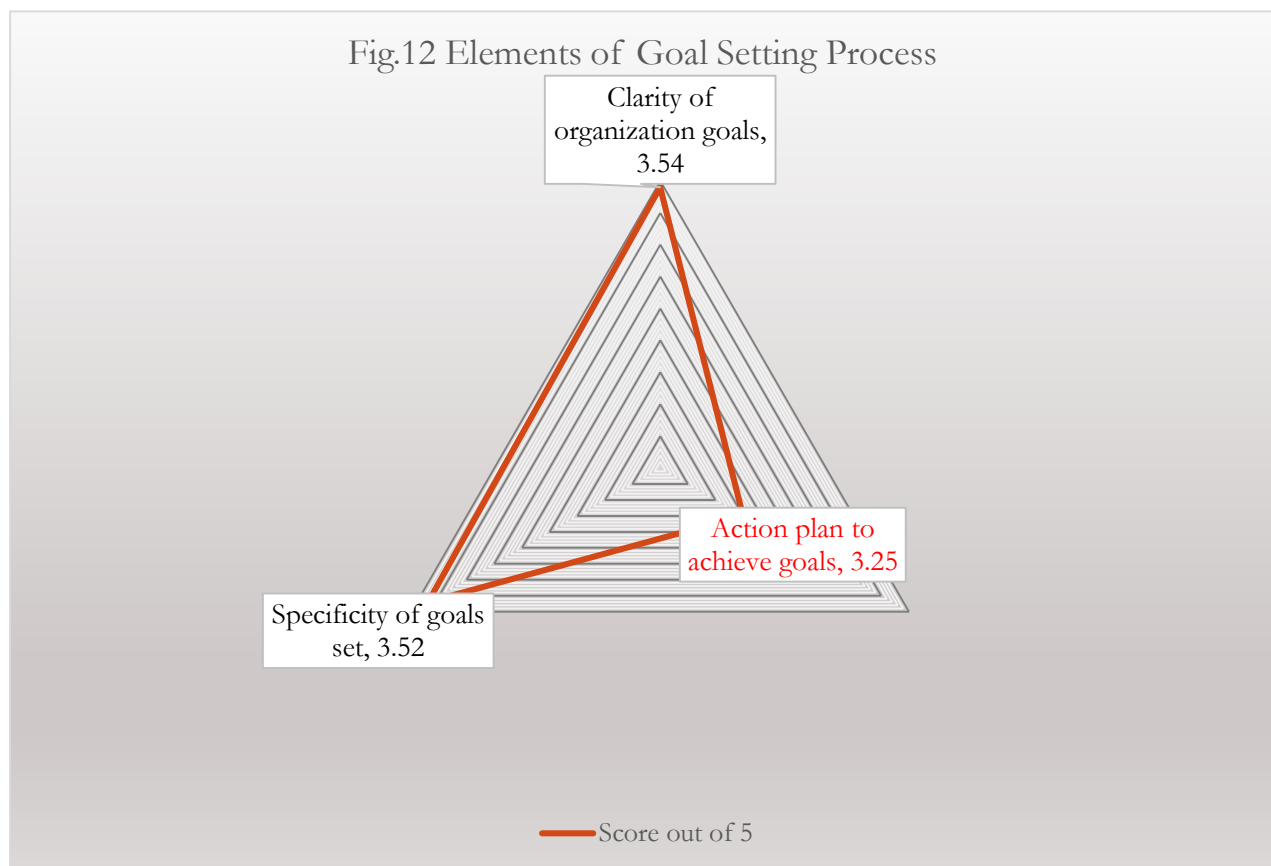
Our Point of View:

Science tells us assigning weightage to the goals may or may not have a superior effect on the behaviors.² It is better to list the goals in order of importance to devise action plans and achieve them in given time.

Process

Our survey results indicate that clarity and specificity of organization goals are on a better note when compared with an action plan to achieve them.

Only 42% respondents said that clear action plans were defined to achieve the organization goals. The problem is more persistent in large size organizations as compared to mid-size or small organizations. This clearly shows that linking what to inputs/activities / tasks that need to be completed is currently a bottle neck.

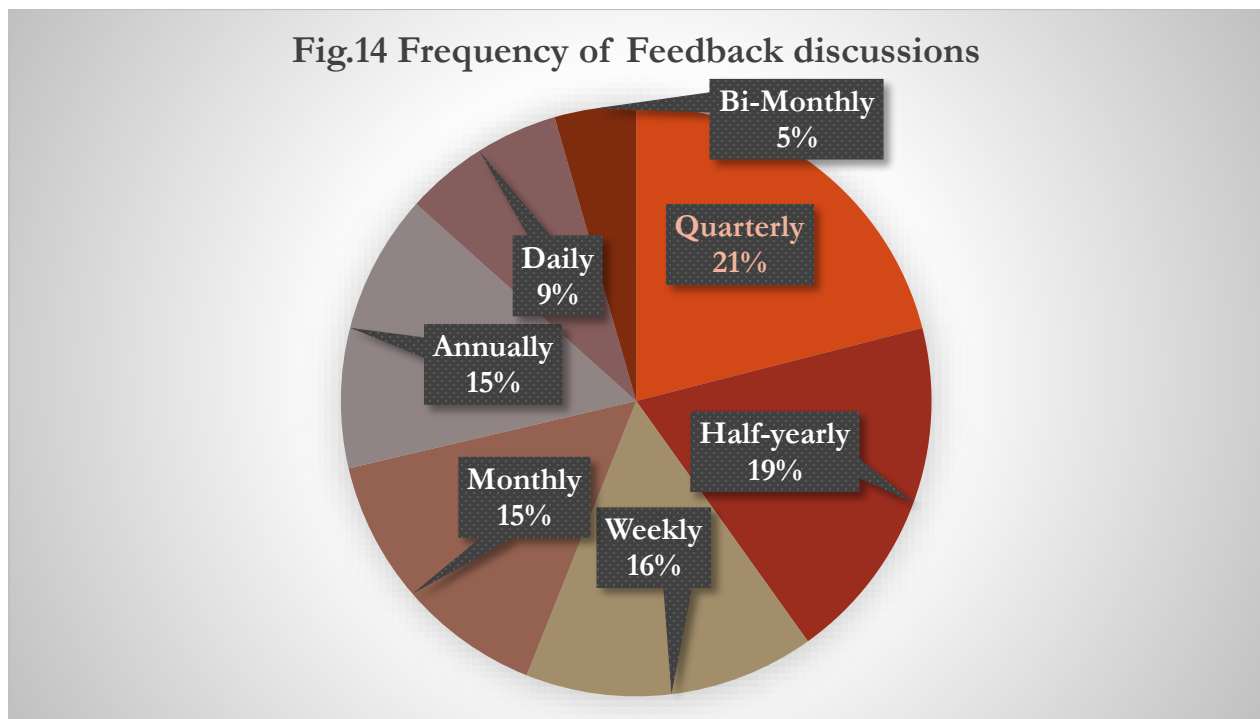


Our Point of View:

Many times goal setting becomes more of transactional activity. It is important for manager and the team member to take out dedicated time for this discussion and define a clear action plan with inputs and activities to achieve each of the goals.

Feedback

Feedback is a surefire way to increase the performance of an employee against well-set goals. The survey results show a slight change in the organization philosophy where some of the organization are now moving towards a system where employees get feedback on an ongoing basis. Around **25%** respondents shared that they get feedback on a daily or weekly basis but in most of the organization's feedback is a quarterly, bi annual or annual process.

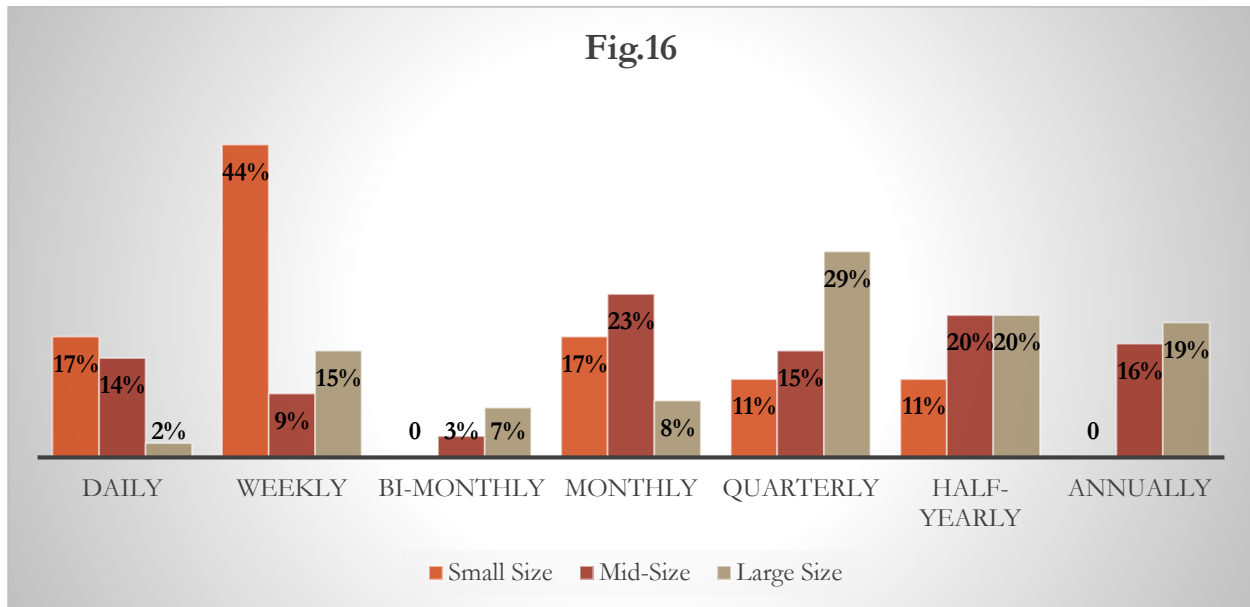


Generation Lens

Millennials are keen on receiving feedback regularly as compared to non-millennials but currently, only **48%** of the millennials are receiving feedback on a continuous basis whereas **38%** of the non-millennials are receiving feedback regularly. There is a clear desire or urge on receive continuous ongoing feedback which somewhat unfulfilled.

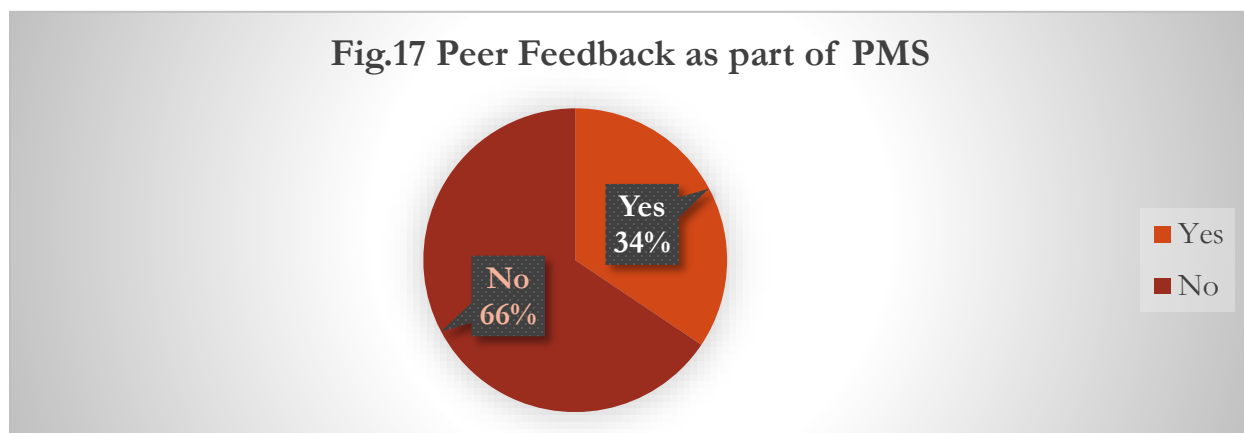
Magnitude Lens

We can infer from the survey results that only **44%** respondents working in small sized organizations are receiving continuous feedback from their managers. Where as in large organizations, feedback is mostly a quarterly process or annual process.



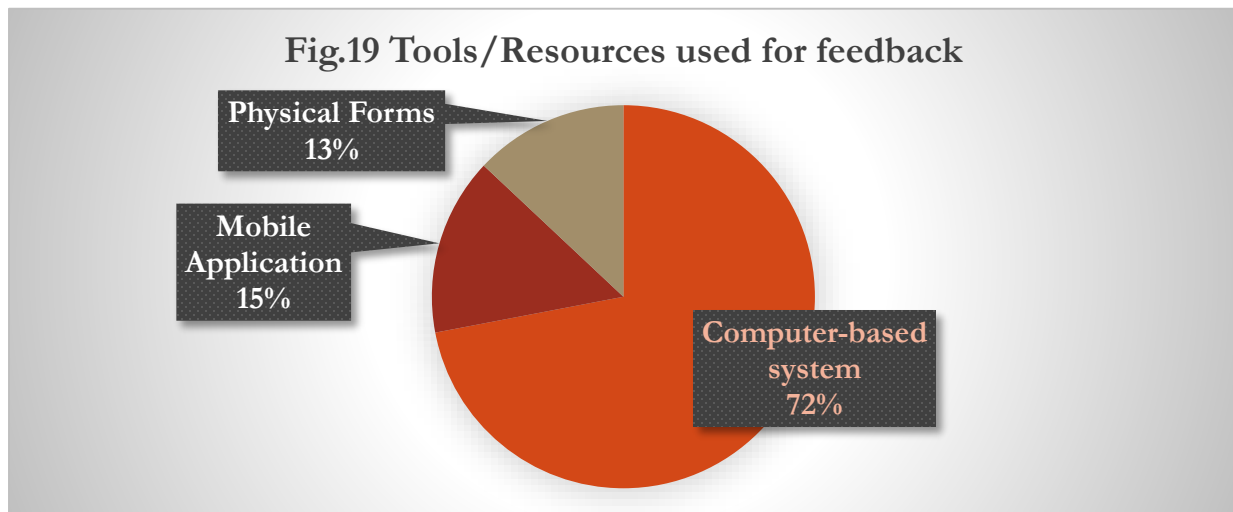
Feedback from Peers

66% of the respondents said that their current PMS does not allow or provide the scope to consider feedback from peers.



Tools for Feedback

For the respondents who shared that they get continuous feedback, we asked the medium they used for sharing this feedback. From the responses, it is clear that **72%** of the organizations are using outdated web-based tools and **13%** using physical forms for sharing and receiving feedback in the workplace.



Our Point of View:

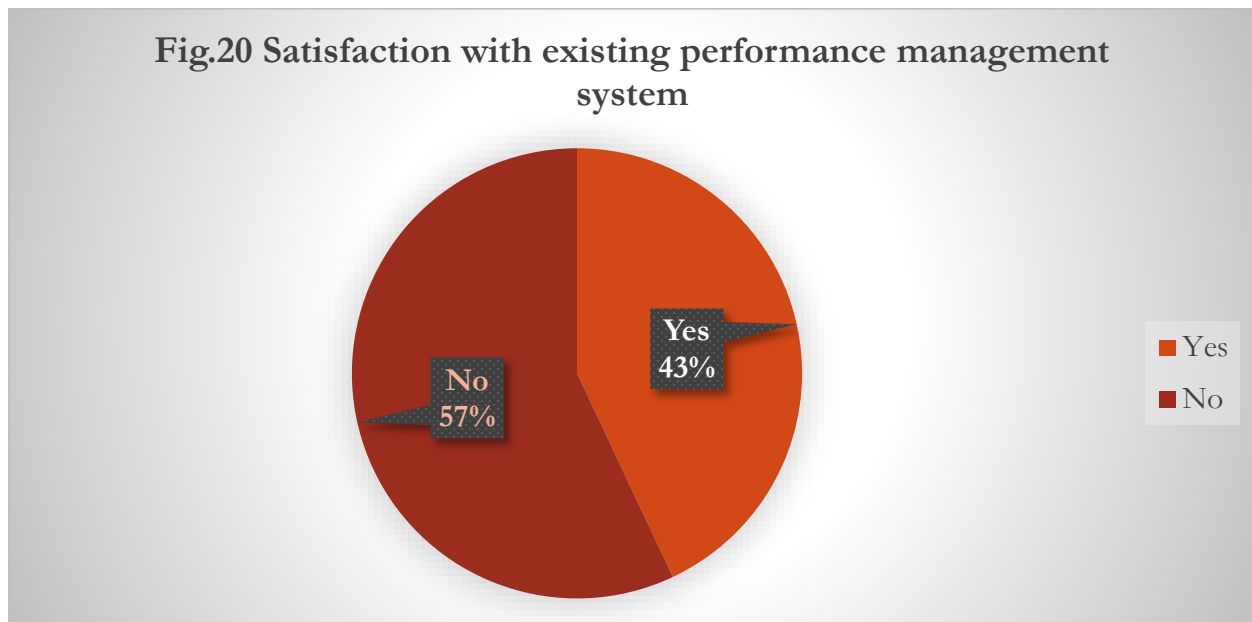
Continuous feedback builds leaders faster as each time an individual receive feedback / feedforward, they have an opportunity to correct their course. More frequent feedback shortens the performance improvement cycle and improvement occurs at a faster rate.³

Peers are an important source of feedback as they view the individual more frequently and in many cases they have a better view about an individual than a manager. It also helps manager have fruitful conversations with the individual as they have data points from different stakeholders readily available with them.

Impediments

Satisfaction with the current PMS

Our survey revealed that **57%** of the respondents are not satisfied with their existing performance management system.

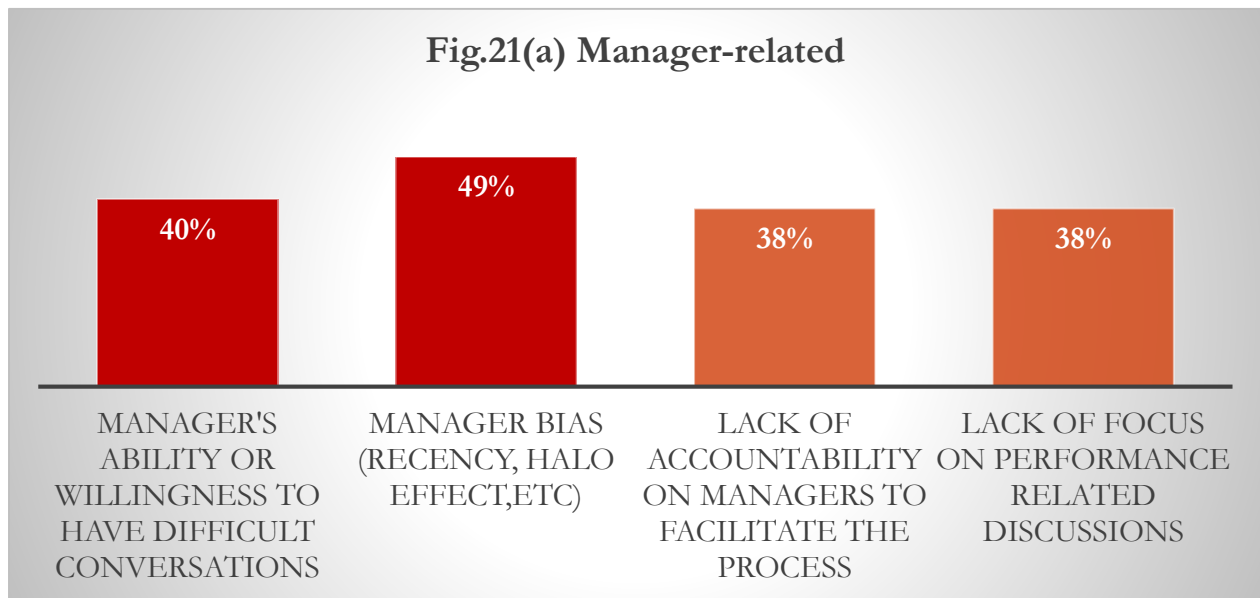


Following are the key areas shared by the respondents which require improvement. These have been classified under three heads:

- Manager Related
- Employee Related
- Process Related

Manager Related

For the manager, top two areas of improvement that have been highlighted by the respondents are – **Manager bias and their ability to have difficult conversations with the individuals.**



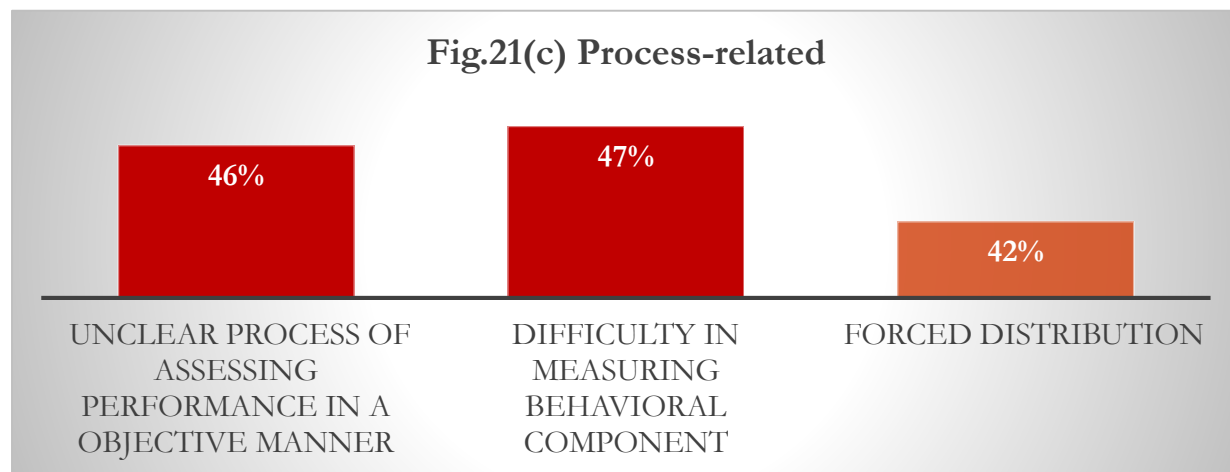
Employee Related

One of the employee related issues that surfaced based on the survey results is **setting appropriate goals**. We had also earlier seen that defining an action plan for goals is also a missing element.



Process Related

There were two issues related to the process. One of them is around **transparency in the process** where respondents shared that they were not very clear about how their assessment is completed. They are also not very sure on **how to rate behavior related elements** in the performance management process.



Our Point of View:

Manager Related: Most of the managers shy away from review conversations as they do not have the right tools to capture and share inputs. Providing managers with such tools and building this capability in managers can help solve these problems.

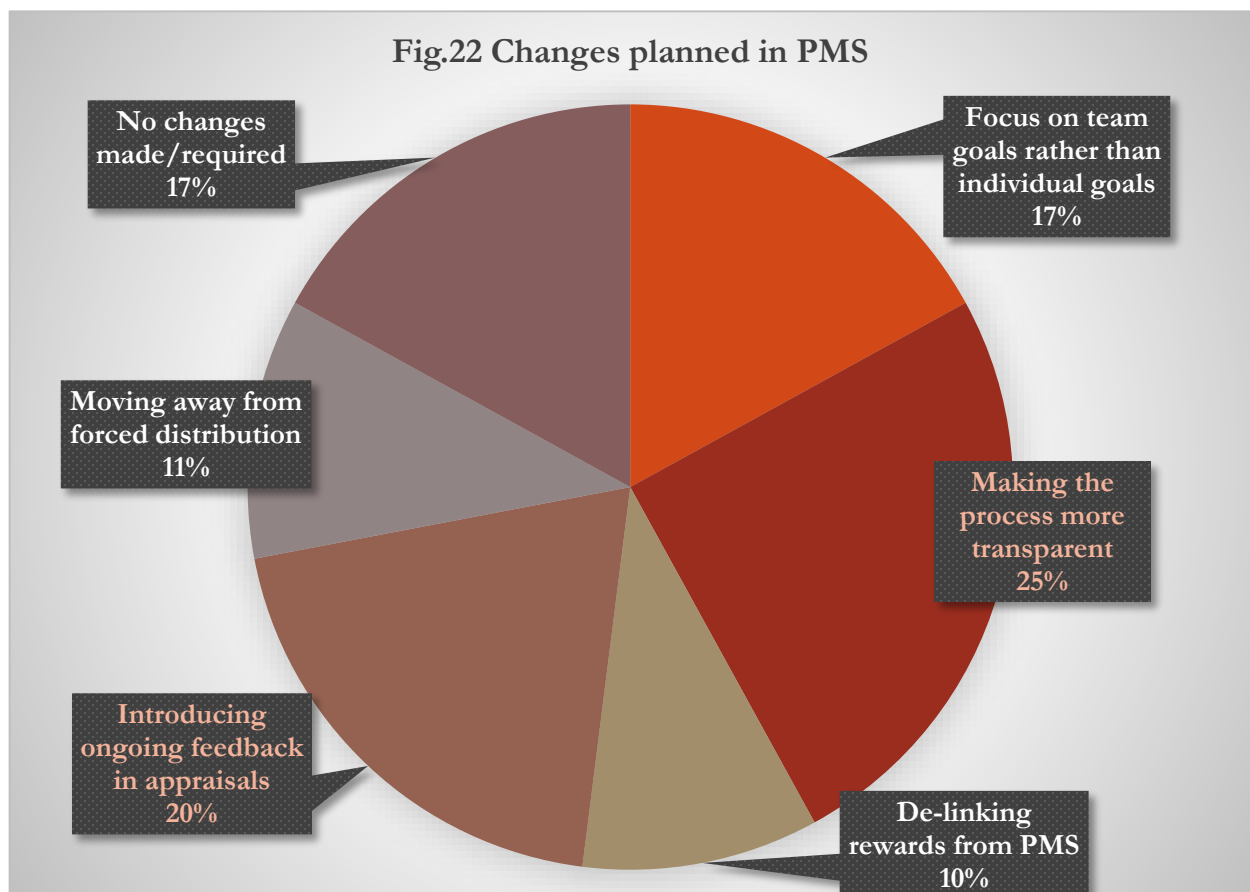
Employee Related: Great Goal setting is very important for the PMS process. HR needs to ensure there is right amount of stretch in goals and the goals are calibrated across functions so that there is parity across the organization.

Process Related: At management level there needs to be clear on how transparent do we want to be, what role will behaviors play and how will the rewards be distributed. Building and communicating a clear Talent Philosophy⁵ can help answer these questions and help build mechanisms for the same. This also helps the employee feel that they are part of a fair process.

PMS 2.0 is knocking

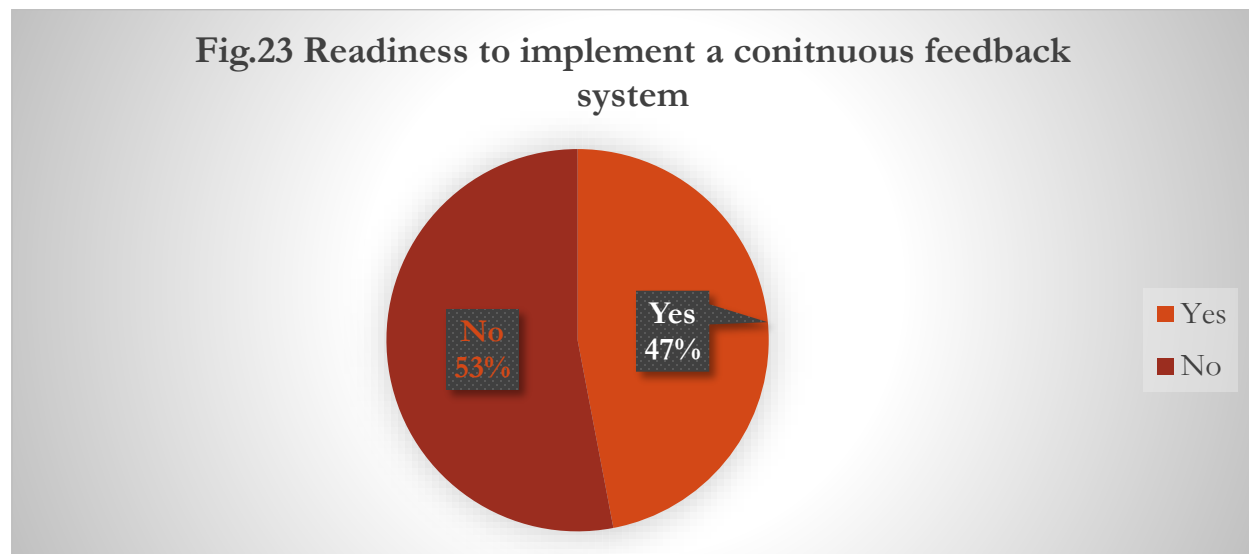
Performance appraisal has always been a closed room discussion resulting in a lot of misconceptions among the team and the individual employees. Our survey reveals that about **25% of the respondents are looking forward to more transparency in the system followed by 20% planning for implementation of ongoing feedback in appraisals and 17% are not looking at any change in the PMS.**

The transparency of the process can be improved by ongoing feedback culture as it helps in overcoming uncertainties and making it transparent requires a series of changes starting with the tools/resources available for providing constructive feedback.



Digital tools can be helpful for the collection of better quality data as well as lead to time-saving and cost-saving for the organization. Reputed organizations like GE will now give more constant feedback about their employees' work through an app called "PD@GE," which stands for "performance development at GE."⁴

When asked if their current organization is ready to implement a continuous feedback system, **only 47% of the respondents depicted a “YES” with major obstacle being the lack of manager’s capability to give constructive feedback followed by lack of organization’s orientation towards developing employees.**



Managers at times discern performance management as excessively subjective, time-consuming and unhelpful for the development of employees as they fail to label the differences in performance. So here arises the need for the organizations to look back into the basics and equip managers with skills/competencies required for providing impartial feedback impacting helpful behavioral changes. Another way they can enable managers is by providing them tools that help give structured feedback to enable more development related conversations.

Welcome PMS 2.0

PMS is a building block of organizational success. Hence, not surprisingly, virtually all organizations have in place some type of performance management system. Yet, from the report, we can see that managers and employees are still skeptical that performance management adds value and some even consider this as a waste of time and resources. Our view is that potential benefits of performance management are not realized because most systems focus exclusively on narrow and evaluative aspects such as performance appraisal rather than looking at the broad problems it can solve.

We believe that focusing on defining great goals and following it up with constructive feedback and coaching can help make the process more valuable for the organizations.

Great goals can be defined by following keeping the goals SIMple i.e. Specific, Important and measurable. It is important to define a right number of goals with the right amount of stretch to ensure employees are motivated to achieve the same.

In the case of feedback, currently, most of the organizations lack ongoing feedback culture. Feedback helps in acknowledging and improving performance as a whole. Immediate inputs on work will always be helpful in improving efficiency and effectiveness at the workplace.

70% of the organizations, globally, are planning to implement continuous feedback system.⁶

This research reiterates the fact that employees are looking for continuous feedback on their goals and behaviors. Tools/resources to provide structured inputs when managers/peers are not willing/unable to provide constructive feedback at regular

intervals would help in better communication and strengthen the connection and collaboration among the team.

We believe that it's high time for the industry to adopt an employee-friendly system that can be used for providing/requesting feedback on necessary behaviors. It can solve the managers' inability to provide constructive feedback and the need for performance management to change its orientation towards the development of employees that can improve the overall ecosystem.

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7 – Herman Aguinis, Harry Joo, “Why we hate performance management, and why we should love it”

About the Authors

Rajan Kalia, Co- Founder



Rajan holds more than 2 decades of rich experience in managing and leading the HR function in various industries. He is an expert at Business HR role, Large Scale Transformation, Organization Enablement, Performance, and Compensation & Talent Management. He has also developed Karma Notes- mobile feedback application.

Nitin Behki, Principal Consultant



Nitin, an MBA in H.R. from MDI, Gurgaon brings over 17 years of experience in Operations and HR. He has lead several assignments in areas of Employee Engagement, Performance Management, Competency Framework Design, and Assessment. He is certified by SHL on occupational personality questionnaire (OPQ32r) & has also developed an employee retention product (RF4).

Varun Tandon, Associate Consultant



Varun has 5 + years of HR experience and has worked on assignments including sales productivity; designing TM process; compensation & benefits and designing leadership workshops, etc. He is currently working on the development of mobile feedback app – Karma Notes. He has been recognized as an Emerging HR Leader – “Are you in the List 2015”.

Kranti Kumar, HR Trainee

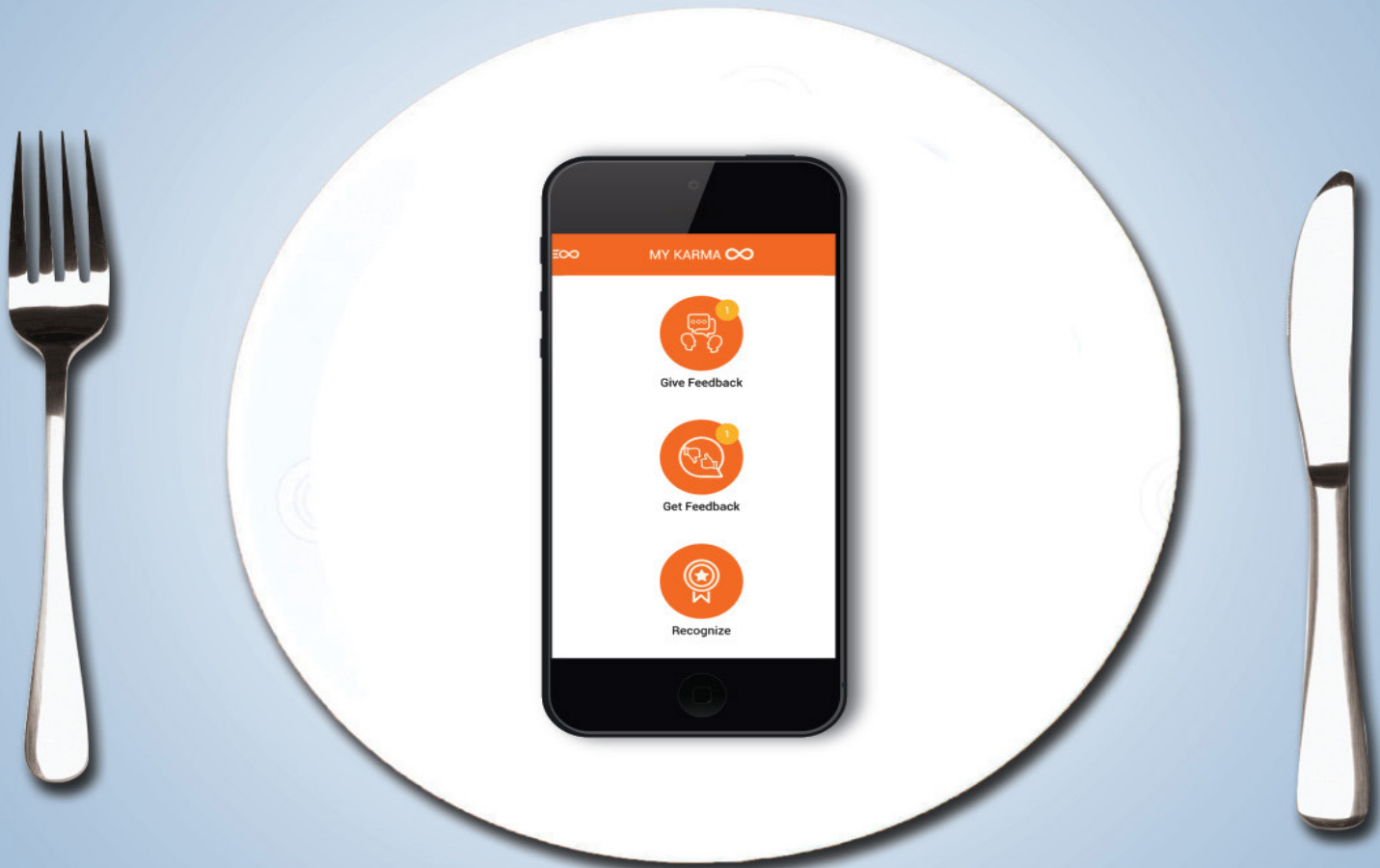


Kranti is a management graduate from IIT Delhi. He has 3 years of experience at Infosys. Kranti helped us in conducting the research which included designing of the survey, finalizing of the sample, rolling out the survey, data analysis, and report creation.



FEEDBACK IS THE BREAKFAST OF CHAMPIONS

- KEN BLANCHARD



You miss breakfast at your own peril. Champions don't.

Karma Notes is a feedback mobile application that helps your organisation embrace a culture of feedback and recognition.

It's one-minute feedback.



60 second feedback & feedforward. Anywhere. Anytime.
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