

## Mr. Mehta's Dilemma: A Case of Performance Appraisal Politics

Mr. Jeevan Mehta, the Regional Head – HR, was rather unsure about the decision he had made. While Mr. Mehta thought he had worked out the best possible solution to Mr. Rajesh Kumar's dilemma, he was not certain if it would pan out the way he expected it to. But then, the nature of the problem was also queer: the kind he had never had to deal with before. Mr. Mehta's decision had the backing of not just Mr. Yogesh Desai, Rajesh's reporting manager and performance appraiser, but also his department head. Yet, there seemed to be an air of doubt about the whole issue.

Mr. Mehta, Mr. Desai, and Rajesh<sup>1</sup> were all employees of AXZ Corporation, a large IT services company with more than 50000 employees as on March 2014, spread across several major about four Indian cities and abroad. Headquartered in Mumbai, AXZ was established in late 1970s as an IT services company. AXZ, along with other major Indian IT players, rose rapidly with a global presence during the Y2K period. Software exports from India increased from 125 million USD in 1997 to over 2 billion USD by 2001 (Annexure I). In about four decades, AXZ became one of the top five IT consultancy services in India. Having emerged as a leader in the Indian IT services sector, AXZ was rapidly moving towards providing strategic consultancy services to organizations across the world.

Lost in thought, Mr. Mehta recalled his conversation with Rajesh:

**Rajesh:** *Sir, I wish to avail personal leave for six months. I am constrained to take this decision because of the recent episode that you are aware of: I feel I have been betrayed... insulted... knowing that I have been portrayed as a person with an 'attitude' problem. All the misgivings have become detrimental to my reputation in the workplace.*

**Mr. Mehta:** *Mr. Rajesh, I will consider your request for leave favorably. I totally empathize with you for the mental turbulence you are experiencing now. The break may help you to face the situation. After our meeting last week, I have gathered, through some formal as well as informal sources as well as by my own observations, that you are a research-oriented person. Why don't you utilize this six-month leave period to enhance your skills? I can help you with the opportunity to attend a research training program in a premier institute.*

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<sup>1</sup> The names of the organizations and the employees have been camouflaged for anonymity.

**Rajesh:** *Thank you, Sir, I agree with you. But I think for any formal research program, a six-month period is not enough. In order to pursue a Doctoral degree, I need at least two years off, so that I can finish the course work and then defend my proposal. I understand that some of the premier business schools allow professionals to pursue a Ph.D. for four to five years, with the first two years involving regular on-campus course work, and the candidate then completing the dissertation on the job. I am confident about completing my Ph.D. while working.*

**Mr. Mehta:** *If that is what you think, rest assured; I will sanction leave up to two years for you. And you do not have to worry about your job either. Once you complete your sanctioned leave, you can start your job here from where you left off. I will retain the same position with the same salary for you. As you already know, our company has branches in various cities; I can even make arrangements to post you in some other city, if you so desire.<sup>2</sup>*

The conversation lingered on in Mr. Mehta's mind long after Rajesh had left the room.

Mr. Mehta had mixed feelings. He felt he had done his job in a balanced way: he had retained a valuable talent which would benefit the organization, while also giving an employee the opportunity to grow in his career. Yet, the conversation left him in a dilemma.

## **The story this far**

### ***Rajesh Kumar at AXZ Corporation***

Rajesh, who had a Masters' degree in Computer Application (MCA), had joined UTVC five years ago. UTVC was an India-based captive Business Process Outsourcing (BPO) wing of the parent group UTVC-USA. With more than 12000 employees across India, UTVC was the largest provider of BPO services in the Financial Services sector, providing end-to-end process management services to UTVC-USA's consumers, as well as the corporate and global wealth management businesses across the globe. AXZ was providing IT services to UTVC-USA directly for the last 20 years. The acquisition of UTVC arm in India was expected to enable AXZ to deepen relationship with the parent company and also extend its strong domain expertise in providing strategic and IT consultancy services to the Financial Services sector.

At UTVC, Rajesh started as a trainee programmer and had rapidly progressed through the structured career path rising to the position of Senior Associate in four years. During his tenure with UTVC, Rajesh had been a star performer. In the first three years, he got a rating of 'B' on a scale of A to E ('A' being excellent and 'E' being very poor). During the last two years, he scored a perfect 'A'. A year after Rajesh became Senior Associate, AXZ acquired UTVC.

Acquisition of UTVC was strategic for AXZ, as it enabled AXZ to provide end-to-end business solutions for clients including Change Management, Business Process Reengineering solutions and strategic consultancy services. Even before the acquisition, AXZ had created a separate consultancy division for this purpose and hired internal and external talent for the division. One of the principle reasons that Rajesh was keen to remain with AXZ was the possibility of

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<sup>2</sup> AXZ had offices in all the major Indian cities. Entry-level staff was rarely transferred within India, except on request. However, middle and senior level employees were moved across India.

moving to the reputed and sought-after consultancy division. The competition for lateral movement was, however, known to be very tough.

In accordance with the terms and conditions of the agreement of the merger and acquisition process, all the employees of UTVC were retained in AXZ with the same designation and their last drawn salary was protected. This was essential as the designations and salary structures of the two firms did not match: AXZ's compensation was 25% less than UTVC across similar designations. The incoming employees from UTVC were also allowed to continue working with their original teams from UTVC for six months. This enabled Rajesh to retain his designation of Senior Associate, and continue with the same elevated pay scale. Rajesh had his eyes set on an opportunity in the consulting division, and it was sheer luck that a vacancy was announced. However, getting work in this division required the candidate to go through a tough selection process. The selection ratio was 1:50 and the requirements were:

1. The applicant had to be on the rolls of AXZ for three years<sup>3</sup>
2. The applicant should have been rated an overall 'A' in three consecutive Performance Appraisal cycles immediately prior to the application.
3. The applicant had to qualify in the internal exam held for that post.

AXZ's policy was to post jobs internally, before attempting open market recruitment. AXZ has also decided that UTVC employees who migrated were also eligible to apply and they would be treated at par. Many suspected that the possible consulting brief came from the parent UTVC.

During the period of evaluation in AXZ, Rajesh and his team continued to work on the same niche and highly confidential project, that they were engaged earlier. The team had achieved 97% Customer Satisfaction score on the high profile project.

During his tenure at UTVC, Rajesh had received two consecutive 'A's. As per the Acquisition Policy, AXZ considered the previous scores awarded to employees while at UTVC, at par with AXZ. Thus, Rajesh felt that if he scored an 'A' in the current year's Performance Appraisal at AXZ, he would be able to clear two of the three essential criteria required for the position at the consultancy division. He would then be left with only the task of performing well in the qualifying internal exam. Driven by hope and confidence, he worked hard and succeeded in securing the top rank in the internal exam as well. Now all he needed was that 'A' rating to get his dream position. When his project was completed, Rajesh proceeded on a week-long family vacation after submitting a report to the client and a summary to Mr. Desai.

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<sup>3</sup> The work experience of employees from UTVC was counted and hence Rajesh was eligible for the consulting division.

*After the performance appraisal*

On his return, Rajesh saw an e-mail from Mr. Desai, informing him about his performance rating: he had been rated 'B'. Aggrieved by the unexpected low grade, Rajesh decided to approach Mr. Desai to know the reason. The procedure at AXZ required that the appraisee approach the immediate supervisor (appraiser) for first-level grievance redressal.

Rajesh wrote an e-mail to Mr. Desai, expressing his anguish. A series of mails were then exchanged between the two<sup>4</sup>:

**From: Rajesh K.**  
**To: Yogesh Desai (April 3, 2014)**

Sir,

I am in receipt of your e-mail dated 2<sup>nd</sup> April, 2014, (included in this e-mail thread), awarding me with a 'B' for my performance during the current evaluation period. Shocked and disappointed, I am unable to understand how so many hours of dedicated, hard work has not resulted in getting a good rating from you. After securing a high C-Sat score of 97 from the customer and having an agreeable discussion with you prior to the appraisal process, I was confident of receiving a better rating. I request you to kindly reconsider my rating to be changed to an 'A'

Rajesh Kumar  
Senior Associate, Prime team  
AXZ Corporation

**From: Yogesh Desai**  
**To: Rajesh K. (April 4, 2014)**

Hi Rajesh,

I completely understand your feelings and your point of view. However, my helplessness stems from the fact that, as an organization, we have to follow the Bell curve when we award ratings. In other words, I am allowed to grant an 'A' to only one in ten people who report to me. Besides this, I also need to consider other criteria, including merit, seniority, experience, adaptability to the position offered, and fulfillment of the organization's interests. There has been another manager working just as exceedingly well as you have, senior to you by age and experience. To keep him from being de-motivated I had to balance the ratings. In my opinion, 'B' is not a bad rating at all. In any case, we will have a face to face discussion on April 7.

Yogesh Desai  
Manager  
BPR Division  
AXZ Corporation

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<sup>4</sup> The email exchanges reproduced in the case have been edited to mask the identities of the individuals and the organization

On April 7, Rajesh met Mr. Desai in his office and presented his viewpoint yet again. However, Mr. Desai reiterated that Rajesh had got the rating that he deserved, and added, "You know, if you are rated an 'A', there are chances that you might leave this company, especially considering there are many competitors out there looking for an opportunity to pick our high performers. Besides, it has just been a year since you joined AXZ and that is why I feel you should wait for one more year. In the wake of all this, I rated your performance 'B', which is not bad. It is up to you to decide whether you will accept this score or whether I should forward your appeal to the review committee."

Rajesh left Mr. Desai's cabin in a huff, pondering over the conversation. Later in the day, Rajesh wrote a mail to Mr. Desai informing him that he would like to go on appeal. Before the appeal process began, as was the norm in AXZ, a second meeting was scheduled by Human Resource (HR) Department between the appraisee and appraiser. That meeting too failed to resolve the issue. Subsequently, as part of appeal process Rajesh was asked to present his view to a panel which included Mr. Desai and the HR representative of the unit. The meeting started and the views of Rajesh and Mr. Desai were heard. The meeting ended with a heated argument between Mr. Desai and Rajesh, who blurted out in anger, "I would work with anybody in this company but surely not you!" and walked out of the meeting room.

The following day, Rajesh received a copy of the e-mail that Mr. Desai had sent to Mr. Mehta complaining about Rajesh's behavior. The mail read:

**From: Yogesh Desai**  
**To: Mr. Mehta (April 10, 2014)**

Dear Mr. Mehta,

I would like to draw your attention to the delinquency of Mr. Rajesh who appeared before the panel yesterday afternoon, where his grievance related to receiving 'B' as the rating in the annual performance appraisal that disqualified him from taking up a position in the Consultancy division was being heard.

As you are aware, Mr. Rajesh works under my supervision as Senior Associate and is a former employee of UTV. On several occasions, I have noticed his behavior to be unsavory. His behavior during the course of yesterday's meeting was especially uncalled for and inexcusable. He insulted me and also the panel in his bout of outrageousness. Such an attitude is unacceptable, considering the reasons for the rating have been explained adequately.

Kindly look into the matter at the earliest.

Yours sincerely,  
Yogesh Desai  
Manager  
BPR Division  
AXZ Corporation

On the same evening, Rajesh filed two appeals with the Regional HR head. The first seeking for a further review of the rating and the second, related to the mail Mr. Desai sent to Mr. Mehta. The very next day, Mr. Mehta called Rajesh for a discussion. Mr. Mehta listened to Rajesh's perspective patiently. He suggested that Rajesh provide data of his earlier performance assessments, successful completion of projects, client feedback, etc., as a proof of his competency. Later, Rajesh sent a detailed mail to Mr. Mehta, marking a copy to Mr. Desai (Annexure 3).

A week later, Rajesh requested for an appointment with Mr. Mehta. During the course of the conversation, Mr. Mehta learned that Rajesh had not been offered any new projects after his outburst during the review meeting. Rajesh was visibly worried and expressed concern over being treated with indifference even by other managers. He felt that even his colleagues' behavior towards him had changed dramatically. Feeling suffocated in such an environment, he informed Mr. Mehta that he wanted to go on leave for six months, as he could not work in his current state of mind.

In an attempt to calm Rajesh, Mr. Mehta advised him to take a week off work and then come back for another meeting to discuss the issue further. He said during the week, he would contact Mr. Desai and others to get their side of the story and Rajesh agreed with the suggestion. During the week, Mr. Mehta activated his formal and informal sources to gather more information about Rajesh. He learned that Rajesh had not only deep insights about the niche area that he was working in, but also considerable acumen and interest in research. There were very few people across the country, not to mention in AXZ, who had the domain expertise and finding someone with a similar profile was difficult.

When Rajesh came back from his week-long leave and met Mr. Mehta, he still was worried and uncomfortable. He wanted more time off from work. It was during that meeting that Mr. Mehta suggested Rajesh to consider taking up research. AXZ Corporation had a policy of encouraging employees to take up further studies and research work leading to advanced degrees such as M.Tech/MS or even PhD. However, few employees had taken advantage of that.

Mr. Mehta knew that considering the managerial and administrative priorities, keeping his promise to offer Rajesh the same position and salary where he left off, was not easy. Organizational circumstances could change in two years, and when Rajesh returned, there was no guarantee whether Rajesh would get the posting of his choice. Mr. Mehta was confident that he could accommodate Rajesh in the organization. HR department anyway had to identify a suitable replacement for Rajesh for the period that he would be away. Given that his was a niche profile did not make matters any easier. The biggest question that troubled him was how the top management would react to Rajesh's long leave, given that new projects were expected soon. Worse, what would happen if Rajesh resigned after completing his education, even as he promised the top management that he would return?

### **Annexure 1: IT Services Sector in India: An Overview**

In the last two and a half decades, India has emerged as a major exporter of software services. The Indian software services industry has grown from USD 4 billion in revenues in 1998 to USD 108 billion in 2013, employing over 10 million people, with about 76% of it being for foreign markets. The IT sector's contribution to India's GDP and growth has been enormous. It has gone up approximately five times from 1% to 5%, in the last decade (Nasscom, 2008).

The industry has been able to enhance its service offerings to the clients by focussing on specialized verticals as well as by moving up the value chain from being an 'outsourcing destination' to providing end-to-end customized solutions for the clients. The industry has diversified its geographical presence by acquiring several firms and opening offices across the globe. There has also been a significant increase in captive offshore development centres set up by multinational companies in India. In addition, India continues to be a leading destination for offshore outsourcing of software and IT-enabled services (ITES). Growing digitization, wage arbitrage, and growing pool of English speaking engineers have been of paramount influence in determining the growth of Indian IT sector (Ethiraj et al., 2005)

Arora et al. (2001) in their study on the Indian software industry posited that the Indian IT industry is characterized by services rather than being product-oriented. It is predominantly focussed on exports and is largely managed by professionals and entrepreneurial managements. The industry is highly labor-intensive with labor costs at about 60%. Labor is characterized by knowledge workers who are professionals. Large and medium-sized IT firms recruit a substantial number of graduating students from engineering colleges across the country. The organizations train the young graduates in software development, in their extensive in-house training facilities. One of the key success factors of the Indian IT firms has been the ability to transform the raw skills of the labour force into firm-specific capabilities including programming skills. These aspects enable Indian IT organizations to deliver high quality technical services to a customer anywhere in the world (Athreye, 2005).

## Annexure 2: Performance Appraisal Process in UTV and AXZ

### 2a. Performance Appraisal Process at UTV

UTV had an annual performance appraisal system. The employee and the supervisor had a dialogue in the beginning of the financial year where the two mutually agreed on certain predetermined annual goals. The supervisor was supposed to have a one-to-one meeting with the subordinate every quarter to monitor the progress of employee towards the mutually agreed upon goals and to offer any support or help as needed.

At the end of the year, the employee's performance was rated on a 10-point scale on various dimensions set at the beginning of the year. The supervisor could allocate marks upto two decimal points on each dimension and the average was then determined. The performance bands were then decided as follows:

Band	Range of marks
A	8.5 to 10
B	7.5 to 8.49
C	6.0 to 7.49
D	5.0 to 5.99
E	Less than 5

The performance appraisal rating was then used for increment and promotion decisions. Notably, an employee who secured two consecutive 'A' ratings was put on fast-track promotion.

### 2b. Performance Appraisal Process at AXZ

AXZ had a bi-annual performance appraisal system. As in UTV, the process started at the beginning of the financial year where the employee and the supervisor engaged in a goal-setting exercise for H1 (first half of the financial year). The two were supposed to meet again for a mid-year PA where the supervisor rated the employee on a 5-point scale. Further, the two could discuss revisions of targets for H2, if required. However, it was a common practice in the mid-year performance appraisal to continue with the pre-decided goals. At the end of the year, the supervisor again rated the employee on a 5-point scale. The total marks of the employee were then calculated on a weighted-average basis with H1 and H2 having the weights of 40% and 60%, respectively.

The composite scores were then ranked on a Bell curve at a 'unit' level. There were a fixed percentage of employees to be fitted on to the Bell curve as follows:

Percentage of employees	Band
Top 10%	A
15%	B
60%	C
10%	D
Last 5%	E

The performance appraisal rating was used for increment and promotion decisions. An employee who secured two consecutive 'A' ratings was considered for fast-track promotion. However, AXZ was conservative in awarding such fast-track promotions.



**Annexure 3: Rajesh's e-mail to Mr. Mehta with Performance Records**

Dear Mr. Mehta,

I highly appreciate my composite score of 4.43. However, in my opinion, the performance band had not been fairly assessed: in spite of having achieved my goals, I have been placed in band B. I would like to present a snapshot of the activities/assignments carried out in FY 2013-14, both in the capacity as Team Lead and as an individual contributor.

I would appreciate meeting you, at your convenience, to clarify my stand.

**Introduction to Project KPO**

- Despite the small size of the team, our work is distinctive in the industry.
- Our team was formed in November/December 2010 with the objective of understanding the data structure. There were merely 2-3 basic MIS reports to start with. I joined the team in the first week of February 2011.

**Contributions as Team Lead**

- Our team created over 20 process notes which are being used by our clients as a benchmark throughout the project KPO.
- Although the assignments/projects had doubled, our team still delivered as per expectation. This was achieved despite the team size remaining the same (Five members since 2011).

In FY 2013-14, the presentation at the Annual Client Reviews Meet featured at least five out of 20 slides about Project KPO and the team's contributions in it.

**Individual Contribution****Savings for the Client and Appreciations Received**

- Project KPO saved the client an average of USD 3.5 to 4 million per year.
- Mr. Davidson, client representation and Director at KPO, expressed his gratitude during various interactions and was very impressed with the professionalism shown.
- Mr. Davison has set an important target of automating all reports (over 20) in 2014. In the last 3-4 months, over 70% of the task has been completed and he is extremely delighted with the progress.
- On core Indian holidays, it was ensured that either I, or one of my fellow team mates, was at work in office, thereby ensuring zero interruptions in delivery. The professionalism thus exhibited had been highly appreciated by the client.

**Learning and Development**

- Organized several knowledge sharing events, which were highly informative to all team members on the floor.
- Conducted sessions on Knowledge Management for the previous three new recruit's induction training.
- Was included as one of the core trainers for the up-coming induction training for new recruits for KPO.
- Out of over 50 applicants nationwide, I had been shortlisted for an external PhD programme in Management (Market Research and Analytics) at one of the reputed management institutes in India.

**Showcasing our Company to the Outside World**

- Authored an industry paper which was presented at an international conference on marketing.
- Co-authored a paper which has been accepted for publication in the next edition of the reputed International Journal of Business, UK.

**Miscellaneous**

- Organized several fun events at work for the floor, which were highly appreciated.
- A core volunteer at the CSR initiative initiated by our company. Awarded a service excellence certificate in FY 2014 for the activity.
- Received two out of twelve 'Project of the Month' awards in FY 2013-14.
- Won a silver medal in the Business Analysis Olympiad 2014.