FREE SAMPLE CHAPTER

The Honesty *Deficit*

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Chapter One, in full. Why performance management fails, and why the failure is structural, not accidental.

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CHAPTER ONE

Why Performance Management Fails

The system is not broken. It was never built to do what we pretend it does.

Ask any CHRO in any Indian organisation whether their performance management system works and most of them will say no. Ask them why, and the answers begin to cluster. The forms are too complicated. Managers do not take it seriously. Everyone gets a three out of five. The process consumes six weeks every year and produces data that drives almost no decisions. The system, as designed, does not do what it was designed to do.

What is interesting is not that the system fails. It is how consistently and predictably it fails. Across sectors, across ownership structures, across organisations of wildly different sizes and cultures, the same failure patterns appear with enough regularity that you begin to understand something important: the failure is not accidental. It is structural. The performance management system in most Indian organisations was designed for a set of conditions that no longer exist, or never fully existed, and it continues to operate on assumptions that were questionable at the time of design and have since become indefensible.

CAPTAIN'S NOTE

Two hours and seventeen minutes (plus minus 5 minutes..)

That is how long it took one CEO to review the performance of three *hundred people.*

He had a laptop, an Excel sheet, and his EA beside him with a printed list. I was there as an external consultant. He had called it the annual review.

He went through every name. Column by column. Rating, increment, a note. His EA filled in the numbers as he called them out. When I asked, midway through, whether anyone had submitted performance data for consideration, he did not pause. "I know these people. I know who works and who does not."

When I suggested, gently, that an engagement survey might give him some signal about how his teams felt about their work, he shook his head. "My door is always open. If someone has a problem, they come to me."

Three months later, seven of his senior managers resigned in the same quarter. He called me to ask what had gone wrong.

I did not have the heart to tell him he had answered that question himself, in his office at Goregaon East, on a Tuesday afternoon, with an Excel sheet and two hours to spare.

> *A performance system that exists only in the memory of the person at the top is not a system. It is an unwritten contract that only one party knows the terms of.*

This chapter maps those failure patterns. Not as an academic exercise, but because diagnosis precedes design. If you do not understand precisely how and why the system is failing, any redesign effort will simply reproduce the same failures in a newer format with a different acronym.

The performance management system in most Indian organisations is not failing because of poor execution. It is failing because it was never designed to tell the truth about contribution. It was designed to create a paper record of a conversation nobody wanted to have.

The following nine patterns are drawn from direct observation across more than thirty organisations spanning BFSI, healthcare, manufacturing, IT services, hospitality, and family-owned conglomerates. They are not mutually exclusive. In most organisations, several operate simultaneously, which is why fixing one rarely improves the system in any meaningful way.

01

The Rating Compression Problem

In most Indian organisations, between seventy and eighty-five percent of employees receive a rating in the middle band, regardless of how the rating scale is designed. This is not an Indian peculiarity. It appears in most cultures where managers are required to rate people they work with every day and where those ratings have consequences for those people's compensation and careers. The system creates an incentive to compress ratings toward the centre because that is the path of least conflict. A three out of five requires no conversation. A two requires justification. A five invites accusations of favouritism. The result is a rating distribution that tells you almost nothing about actual performance distribution, which in any real workforce is neither uniform nor centred.

Structural incentives reward dishonesty. The system is designed to measure performance but rewards avoidance of differentiation.

02

The Annual Cycle Mismatch

The annual performance review cycle was designed for a world in which business objectives were annual, markets moved slowly, and the primary output of most roles was measurable at year-end. That world has not existed for at least two decades in most sectors, and arguably never existed in many of them. Waiting twelve months to formally acknowledge or address performance is not a performance management practice. It is a performance avoidance practice.

Measurement cycle does not match the performance cycle of most roles. The system produces stale data and calls it feedback.

03

The KRA Quality Problem

Most KRAs in Indian organisations are written badly. Not because the people writing them are incompetent, but because nobody taught them what a good KRA looks like, and the system does not penalise a poorly written one. When KRAs are unclear at the start, assessment at the end is entirely subjective.

Poor KRA design makes honest assessment impossible. The assessment becomes a reflection of the relationship, not the performance.

Patterns four through nine, and the three emerging distortions, continue in the full chapter.

Nine failure patterns. One root cause. The system was not designed to generate honest data about contribution. It was designed to generate defensible documentation of a process. Those are very different objectives.

Twelve Failure Patterns. One Underlying Question.

Does your performance management system exist to measure contribution, or to document that you had the conversation? The nine foundational failures, rating compression, annual cycle mismatch, KRA quality problems, recency bias, bell curve misapplication, manager capability gap, calibration theatre, consequence disconnection, and the structural honesty failure, have been embedded in Indian organisations for decades. Three emerging distortions, the Startup Distortion, the Remote Work Distortion, and the AI Illusion, are arriving now.

The root cause across all twelve patterns is the same: the system was not built to tell the truth about contribution. It was built to document a process. The rest of this book is about what a system built for honesty looks like.

EXECUTIVE REFLECTION

If you are a CEO

1. When did I last ask my CHRO to show me the actual rating distribution across the organisation, not the summarised version?
2. Do I know, by name and by evidence, who my genuine bottom performers are across all functions?
3. If I removed the performance form tomorrow, would the conversations that remain still be worth having?

If you are a CHRO or HR Leader

1. Can I demonstrate, with data, that our performance system produces information that changes decisions rather than documents that satisfy a process?
2. When did I last audit the quality of written assessments across a sample of managers? What did I find?

If you are a Founder or Business Leader

1. Am I the only person in this organisation who truly knows who is performing and who is not?
2. Do my best people feel recognised, or am I assuming the work speaks for itself?

This is Chapter One of twenty-six. The Honesty Deficit continues with the architecture of a performance system built to tell the truth.

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