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Career Achievements Review



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Author : Guest Post subject: Career Achievements Review

Mon Apr 19, 2004
4:14 pm

As promised in my India All presentation, I am proposing our new review system. First of all in the interest of making a clean break with the past, we will call our new system as "Career Achievements Review" rather than PA. From now, the preferred acronym is "**CAR**". The **car** symbolizes the achievement of a certain living standard, so it is a very appropriate acronym for this purpose.

I will first outline the basic philosophy behind the system, and then explain the operational details. In keeping with our decentralized, loose-coupled, autonomous culture, individual product managers and teams may implement this somewhat differently. So one of the first things that will go away is an enforced uniformity - more on this later.

1. Basic Philosophy

Most of our India employees are young, many only a few years out of college. To many of you, our old PA system seems too much like school or college, with an "examination" every 6 months, whose results you eagerly await. The manager looks like the "teacher" announcing the results. The most instructive comment I heard a few months ago was from an engineer who said his manager acted like his school teacher.

Well, that system is now history. I will state it very clearly: AdventNet is *not* a school, and managers are *not* teachers, and most emphatically, employees are *not* children. You are all professionals, and therefore you deserve to be treated as such. By the same token, I also expect the same degree of professionalism from each of you - more on this later.

The most important hallmark of a professional is that they are essentially self-managed. The manager is a leader, rather than an administrator; the manager provides vision, direction and the motivational energy so that the team can excel. He/she sets the goals but does not dictate each and every day's activity. The manager can provide mentoring or even some occasional coaching, but these should never cross the line into micro-management. This means close supervision is out, and self-management is in.

I often say "I do not want highly paid professionals to be managed by other highly paid professionals. In that case, someone's productivity is being wasted". I myself live by this dictum - I refuse to tightly manage anyone who is highly paid, because in my philosophy "Understand the goal, and you should know what to do to achieve that goal". If someone needs help, I am willing to offer it, but I don't

intervene unnecessarily.

2. Operational Details

2.1. Immediate CAR

Having stated the philosophy, let me now dive into the details. First things first: what happens next week will not look like any PA you have gone through before. In fact, in most cases, it may take a 10 minute session with your manager. You will receive positive feedback on your achievements, but you will not hear any criticism about your shortcomings. This may be somewhat disconcerting to some of you at first, but I believe you will adjust. We are eliminating the rituals of the manager handing out a printed performance review, which you sign. Basically we are informalizing the whole thing. In a small team culture, these rituals are meaningless, and subtract from our positive energy.

Now, what about a pay revision? As I said in the India All meeting, we will skip it this time, except for fixing some bugs that crept in. I believe we did a very generous pay revision last December, and at that time we indicated there may not be a revision now. As I have promised, we will do it in the next revision - more on this below.

2.2. Monthly goals and areas of improvement

Clearly, nobody is perfect and a manager may feel that a team member may need to improve in a certain area. These will not be addressed in the **CAR**. Our philosophy is that only positive points will be "accumulated" and remembered in the **CAR**, while any negatives will be taken care of then and there and forgotten. This is the fairest system for everyone, and ensures that you are rewarded for your strengths and the magnitude of your contributions.

In our new small team culture, we will have monthly goals. All of you will set your own goals, in cooperation with your managers and the rest of your team. The goals should be ambitious but reachable. The goal may be something like "This month, I want to add these 4 features in this product/project" or "This month, I want to reduce my customer response time by 10%" or "This month I want to write these 2 case studies and complete the datasheet" etc. In many cases, these may simply be a "verbal understanding" between you and a manager/team, or sent as an email. These details are left to the respective teams - just use common sense, and use whatever that works within your team. I expect a certain amount of EEE going on across teams in this area, where best practices evolve and are copied.

Now, if a manager feels that you need to improve in a certain area or feels you are falling well short of your goals, he/she will talk to you immediately about it. This way, you have the opportunity to address it then and there, and if it is addressed satisfactorily, it is forgotten immediately. Most importantly, such issues will not be carried over into **CAR**. Please accept that if someone has a lot of negatives, and therefore takes up a lot of manager's time to address them, it may reflect in the pay revision, but it won't be mentioned in the **CAR** itself.

2.3. What about a persistent negative issue?

In case of a persistent negative issue (such as persistently high frequency of bugs in your code or persistently low output that does not meet the goals agreed upon), the manager will start a "3 strikes and you are out" process. This is a rule

from American baseball, but basically it means that you will be given 3 opportunities to correct an issue. The timeframe for correction will be decided by a manager, but it will be something reasonable and relevant to the situation at hand. If, at the end of the 3rd opportunity, the situation is not corrected, the manager will inform HR to take appropriate action.

Please don't get scared! This should not happen with any great frequency at all. I used the word "persistent negative issue" intentionally. Managers will not bother you if you are "out of form" for a few weeks, and then come back strongly after that. It happens to all of us. Most of you will never even hear about the "3 strikes rule" ever. But please understand that there are situations where this happens, and the company does not have any alternative but to take action; otherwise, we put everyone's future in jeopardy. The only promise I can make is that we won't let any one go without a careful review, by both another manager and HR.

2.4 Next CAR

That brings up the second question: how will the pay revision be decided next time around? Each manager will be given a budget so that his/her team's total salary would go up by a certain percentage. The manager will then allocate the percentages individually, based on his/her judgement of the performance and contribution of each team member. The manager is supposed to have very close knowledge of the contribution by each team member, or else he/she will ask someone else who has the close knowledge to judge it. It is the manager's job to ensure that the total of all team member's percentage revisions does not exceed the allocated budget and the relative allocations are reasonable. We would have some rudimentary checks and balances in place so that things do not go haywire. But I want to make it clear that the managers will have broad autonomy, and there won't be micro-management of managers.

So the next question: will this system be objective? The truth is that judging human beings is always going to be inherently subjective. The more objective you try to make it, the more it becomes like an "examination", with all the bad consequences. So accept the fact that this is an inherently subjective process. Best leaders will try to be as objective as they can be, because they need the full cooperation of each team member to achieve the team's goals. In a small team culture, it is usually not very hard to know the relative contribution of each team member. We will only have relatively teams from now on, so this can be reasonably ensured but never 100% guaranteed.

Next question: what are my safeguards if my manager is unfair to me? This is where I ask that you do this professionally. It is very fair of you to ask the question "I believe I am not getting paid proportionate to my contribution. I would like you to take a second look" On the other hand, if you ask something like "I saw that my friend X received a percentage of P% in team T. I think I am better than X, so why is my percentage smaller than X?" the manager really cannot answer this in any proper way at all. Even if your friend is in the same team as you, this question cannot be fairly answered without compromising the privacy of one or the other party. In any event, keep in mind that managers are also human, and so they are bound to make mistakes. So it is perfectly fair to ask for a second look, if you feel dissatisfied. HR or another manager will participate in that second review. But it is unprofessional of you to drag in a friend's pay revision into this mix. Here is my cardinal rule for managers: never answer any questions about "comparative pay" but only "absolute pay", so please never ask the manager a "comparative pay" question.

HR will work with managers to reasonably assure that no very blatant unfairness

exists, but absolutely no one, including myself, can ensure 100% fairness. I don't believe there exists a system that is 100% fair, and attempting to build one will lead to more unhappiness than happiness. Read the book "The Road to Serfdom" by Frederick Hayek if you want to understand why the "100% fairness" goal results in the most dictatorial systems of all. This is one case where the road to hell is paved with good intentions.

In order to give you choices, we will give an opportunity to each of you to request a change of manager if you feel that your manager is not fairly valuing your contribution. Clearly, if someone is persistently complaining about unfairness and jump from one team to another, the problem may well be with that person, and not the managers. So please be aware that this request for team change can be made by you, in case you feel your manager is not fair to you, but please exercise careful judgement in asking for this.

To summarize the pay system: the manager will use his/her judgement and some help from HR to set individual pay revisions, keeping in mind the total revision for the team. Since each manager will only set it for a few people, they should have detailed first hand information about each team member's contribution. This is one major benefit of a small team culture.

2.5 Titles

Here is an important announcement: from here on, ask yourself if your pay is fair and consistent with your contribution, but stop worrying about titles. I am abolishing the fine distinctions of rank and title in this company henceforth.

We will adopt a very simple system of Member of Technical Staff, with some people called "Managers". In some teams, on some occasions, some additional roles such as "Architect" may be given by some managers, but these are informal, and does not connote anything special in terms of pay.

By all means, expect pay revisions commensurate with your contribution and experience, but please do *not* expect title revisions. If titles are important, AdventNet is not going to be the best company to work for.

Informally, roles will evolve within teams. We will ask some people to lead new efforts. Occasionally someone may be called a "Manager" which just means he will now have the awesome burden of having to decide other people's pay. This is not a burden many people like, because it comes with a whole layer of headaches. As a rule, AdventNet does not and will not compensate people all that much extra for this major headache, so that no one lusting after the "manager" title. In Qualcomm, if you become a "manager" you get a grand revision of 2% in your salary - that is it! We will use something like that here.

So if we ask you to become a manager, think carefully if you want the headache. It is not a financial decision so only accept it if you actually like the challenge and headache! Some people have declined this in the past and they are very happily doing excellent technical work.

3. Externally focussed Revision

Now a very important question: how is a team's overall revision determined? Initially, it will be based only on a market survey of pay in the Indian IT industry as well as our company's performance. Over time, your product or project team's performance will also be factored in, in addition to company performance. The system will also be made variable - in fact, the higher your pay, the more variable

it would become, because it will be tied to productivity (revenue/employee) in your product/project team. In case of project teams, credit will be given for product/royalty revenues arising out of our final deliverables, not just the immediate services revenue. Details on these will be published within the next month or so, well in time for our next revision.

Please note that in junior levels, the pay will be reasonably uniform across teams, but at senior levels, it will start to vary with the performance of the particular team itself. This is very natural and to be expected.

This leads to another question: how fair is it that I am working in product/project A, and for no fault of my own, product/project A does worse than product/project B, so team B members get more compensation. This is where discretion by a person like me comes in: if I or other senior managers believe that team A needs a longer gestation period or is strategic to the company and therefore needs to be supported for a longer period, there will be a "investment allocation" made to that product team. The senior people (like me) are accountable for that decision. In effect, all our new products are in that "investment mode" because there is no revenue yet.

There is another area where such investment mode decisions will be made: these are efforts like Mickey or WorkEngine, where the nature of the work is to enable other teams to make money but their own effort won't directly make money, at least in the immediate term. It is my and other senior managers' job to ensure that these people are taken care of properly, and we will ensure this.

Clearly, if there is a persistent financial underperformance by product/project A, and this financial underperformance finally reflects in the pay of team A members, they will request transfer to other more financially successful teams. This process is very similar to water flowing in the direction of gravity. By this process, we naturally move our human resources towards more successful areas, and get them out of less successful areas - a very desirable outcome for both the company and the individual. This will ensure that your skills are being used to the maximum benefit for you and the company.

Basically, we are letting in some market discipline even to our own resource allocation decisions, rather than making them without regard to financial fundamentals. For those of you who think of a company as something that "protects" you, this market discipline may take some getting used to.

Please remember that in the ultimate sense, the company cannot offer you such protection - it is just an illusion. AdventNet has to earn its "collective paycheck" every day and every month and every year. It is just that if we do our jobs right, there is a "cushion" of capital, and this cushion offers us a temporary respite in the event of a downturn in one market or another. In the same way, due to the high incomes I want enable through high productivity, you can build your own private "cushion", which protects you in the event of major illness or major change in your life's priorities (I want to become a musician tomorrow!) etc.

4. Rewards for Working in AdventNet

Here is another important question: what are the long term rewards of working for AdventNet? Stated differently, let us say that AdventNet pays the "going market rate" of salaries now, and if all you are ever going to get is the "going market rate", why should you work for AdventNet?

There are two answers, one short term and certain and the second long term and

very uncertain. The short term answer is that I believe AdventNet offers one of the most challenging environments in the software field. This is an environment of small teams, professional freedom and ambition. If you are passionate about software, I strongly believe this is a great place to work. At the very least, regardless of what happens long term, you are getting a market salary, and you are enjoying the work. If nothing more ever happens, at least you are leading a professionally satisfied, and financially OK, life. Some people may feel "I don't have to work as hard, if I move to Infosys or HCL or ... so why not move there for the same pay". My answer is "Please think through this carefully. If you really believe you will be happier there, I won't stop you" That is the only answer I can give short term.

Now the longer term answer. Notice that none of what I say below is an iron-clad promise. I have strong faith that we will succeed and you will do well financially as well as career-wise. But I cannot guarantee that you will do extremely well financially, because no body in this world can make that promise. I cannot guarantee that most of our products or even any of our products will actually succeed. I cannot even guarantee that AdventNet will be a very strong company in 5 years. These are all in the realm of "unknowables" or "undecidables". Not even Bill Gates can guarantee any of these with respect to Microsoft - such is the nature of this business. If you read my blogs, you know that you need "rational faith" rooted in reason and optimism about the future because you face this kind of "irreducible uncertainty".

I will give you the long term answer based on my rational faith. I strongly believe that we can enable a very high productivity culture in India. At a minimum, my goal is to have a productivity level of about \$100,000 per employee per year. By comparison, Microsoft does about \$600,000 per employee and Google does around the same level. So you can see that I am not assuming Microsoft-like success, but only a moderate success. It is not that I don't want that level of success, but I cannot assume that ahead of time! By comparison, Infosys and Wipro do about \$50,000 per employee per year, but that is because of their substantial on-site revenue contribution; our on-site contribution is 0. We do about \$33-35,000 per employee per year, which is considered respectable in India (and on-par with the India productivity of Infosys or Wipro), but one I consider way too low. My most important goal is to lift this level substantially.

If we achieve this goal, we can enable an average pay of around \$25,000-\$35,000 per year - since this is the average, there will be many who will make a lot more because fresh people will start at a lot lower level, commensurate with their contribution. Our model is to start paying around the market, but lift it as people gain experience, because they start contributing to our high productivity culture more and more. If we achieve this, we are already in the league of a country like Italy or France, but our employees would face Indian cost of living (hopefully that will remain low for a considerable period!).

The financial model for the company is very simple. We need at least about 3 times the average pay to run a company successfully for the long term. Microsoft actually has a revenue of about 6 times their average pay (now you know why Bill Gates is the richest man in the world!), but then to do that requires outstanding success, which is not predictable - it is like assuming that we will win the world cup!

You may wonder why 3 times is needed. There is allowance needed for overhead expenses, such as real estate, electricity, computers, air conditioning and so on. AdventNet is efficient in these expenses (which is why we are not in Tidel Park but took this cheaper building but built a nice office inside). One very important

part is the accumulation of a financial cushion so that we can withstand any future shocks. Typically software companies have the equation of about 33% of revenue given in salaries, 20-25% of revenue in various marketing spending, overhead, fixed investment etc, and about 10-15% in taxes and about 30% in profits that enable a financial cushion and future major investments. I intend AdventNet to enter newer areas (even different domains) within 5 years, and this is based on the financial cushion we generate. This is what will enable major career growth opportunities to the talented and ambitious people in the company.

Hopefully, each one of you now understand the goal - which is to reach a world-class level of productivity, up from the good-for-India level of productivity we have today. I strongly believe we can reach this goal, if we work diligently towards this goal. This is the only way we can enable a hard working, high reward culture in AdventNet.

5. An Anecdote

In the spirit of **CAR**, I will finish with an anecdote. There was an engineer that Kumar hired about 8 years ago, a few weeks after Shailesh came on board, barely a couple of months after the company had come into existence. He was another one of Sekar's classmates.

He was a hard working engineer, and some time in late 1997, he asked me a question "I have worked here around a year, I haven't seen much progress. I thought if we create a new company, I will be able to buy a **car** by now. I am not confident I would be able to do that any time soon, with my present salary. When you do think I can buy my **car**?". His salary at that time was probably below what we pay our fresh software engineers today.

I gave him my usual honest answer: I don't know when you can buy a **car**. I am very confident we will succeed, but I can't guarantee you can buy a **car** soon, because no one can give that kind of guarantee.

Note that Kumar only owned a scooter in those days, so my answer was honest, if not very encouraging. He was disappointed with my answer, and left the company. There were around 10 employees at that time. Fast forward, all of those from that time who stayed with us happened to buy cars by 2000 - within 2-3 years after he left. Shailesh is an exception, but it is his own choice to not own a **car** even though he can easily afford one.

Moral of the story: have rational faith. We will succeed.

That has been a very long post, but I am sure I still left out many questions. Please feel free to post them. I will answer them to the best of my ability.

Sridhar

Author : svembu Post subject: Re: Career Achievements Review

Mon Apr 19, 2004
4:23 pm



That was such a long post that the forums timed out on me. So I became "Guest" on the previous post! I am creating one of the most important announcements, and it made me "Guest" - a certain delicious joke there, right? 😊

Sridhar

[profile](#)[pm](#)

Author : neil Post subject: Re: Career Achievements Review

Mon Apr 19, 2004
10:30 pm

[quote](#)

Sridhar:

These are the best practices that are used in large and small American companies. I have worked for several American companies including AT&T Bell Labs and Pacific bell and all of them have adopted the core concepts of what you have stated here. This is well approval and successfully implemented practices that work non-intrusively but effectively.

I think we should adopt these practices across all locations of AdventNet to make it uniform and practical.

Neil

[profile](#)[pm](#)[email](#)

Author : svembu Post subject: Re: Career Achievements Review

Tue Apr 20, 2004
1:05 pm

[quote](#)

Neil:

Thanks for your kind words. We will use a similar philosophy in our US office. Our Japan and China offices will adopt whatever works for them, conforming to the local culture and expectations. In India, due to our history, and at least within the IT industry, there is a willingness to import the best from the West - after all, we use English as the language of the company, and nobody has an issue. That would never work in Japan or China.

Sridhar

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