

2023 CAR FAQs

US & Canada

September 20, 2023

1. What exactly is CAR? How does the process work?

Zoho--a company of small teams, professional freedom, and ambition, built on humane values--offers employees a challenging and rewarding environment. Simply put, Zoho treats people well. This is your due. People are here because they want to be. They know they have many other choices, including ones more lucrative.

We are different from most companies in how we manage and handle our people and HR processes. This has been one of Sridhar's directives from the very beginning. His idea was to build HR practices that work for Zoho and are reflective of our values and culture, rather than blindly copying what others in the industry do. Overall, Zoho works on the conviction that feedback systems should reassure and empower employees, without the feedback process itself ever taking on an outsize emphasis.

First, a bit of background. Many companies have developed and used specific evaluation systems. Historically, *relative* employee ranking is an evaluation method that has been adopted by many companies, and this approach has grown in popularity over the years. Here all employees would be ranked *relative to one other* (i.e., on a curve) and compensation (or even continuation of employment) would be tied to where people wound up on the curve. Some companies even compel people at the lowest rating to leave; in these systems, the basis for termination is simply the employee's relative ranking. Fairness and effectiveness were touted as its virtues. This was the standard at companies like Microsoft, GE, and many others. Almost all companies have now abandoned this foolhardy approach as counter-productive. Some companies like Netflix and Exxon still continue with this approach, despite massive evidence to its counter-productiveness. Zoho has never adopted this approach, nor ever will.

Some companies have gone completely the other way and have no process at all. They give employees raises based on some undisclosed or opaque criteria, such as managerial discretion. This approach feels random to most people and has few fans. There is no visibility into anything and dissatisfaction reigns.

Confidential

Zoho's process is called the CAR, or **Career Advancement Review** and here are its tenets:

- Evaluation is not a one-time annual process. Managers must connect with employees throughout the year and let them informally know how they are doing.
- Managers must provide regular feedback, so employees are not left guessing what they are expected to do (or not). This also allows evaluation to be done naturally on the job, rather than become a forced exercise of selective memory, at the end of the year. The goal is that the CAR does not come as a surprise to the employee.
- Evaluators should actively seek to provide examples of positive contributions that people make to the team. Actively seek out and elaborate upon examples of positive actions and outcomes. There is a good reason: humans remember and respond much better to positive feedback.
- Evaluators should not seek to look for negatives in their reviews. It is OK if you have none. Simply allow people to understand what is expected of them. This part should never be a surprise.
- There is no need to generate elaborate paperwork or keep them as part of the employee's history. It is best to jot down examples as you come across them during the year, so that you can have meaningful and fact-based conversations.
- Zoho does not have any relative ranking of employees, but does have ratings that you may already be familiar with. This is explained below.

2. What is the Zoho Rating system?

During CAR, managers are asked to decide which bracket best sums up an employee's previous year's worth of work. Below you will find short explanations for each category:

- **Game Changer (GC):** A person who walks on water, doing extraordinary work compared to their peers, bringing significant value, and making a phenomenal contribution to their team. Usually, there may be only one Game Changer on a team, but some teams won't have an GCs (and that is not a problem). Managers should document why they believe an employee has earned a GC.
- **Passionate Performer (PP):** This person is a backbone of the team, a real contributor who is highly dependable, with superb technical acumen in their area of expertise, who earns the respect of team members for their skill and capabilities.
- **Contributor Plus (CP):** An above average performer who is comfortable working independently, a real cornerstone of the team. We expect that about 70% of most teams will be constituted by this category.
- **Contributor (C):** An average performer who does what they're told, but usually only

after a lot of follow up. Doesn't show the passion for the work.

- **Getting By (GB):** A liability for the team.

3. How does the process work and what pay raise should I expect?

There isn't a magic number. As a company, we decide a total distribution number each year, basically an annual budget for pay hikes, which will be a percentage of the total payroll (for the US in this case). This number is based on how well we are doing as a company, as well as global economic prospects and market conditions, both current and the expected short term. This budget is also influenced by a certain amount of natural caution Zoho takes as a company that intends to continue to grow in business and be there for its employees, into the future.

Once the distribution number is decided, we plan the individual distributions across employees. This is based on individual ratings, provided by the managers. We apply a range for applicable raises (as a percentage of base salary) for each rating, with the range being higher for higher ratings. We also use a *sliding scale* for ranges, so that salaries at the lower end have higher ranges than salaries at the higher end, for the same rating. The idea is to move up the lower end. Once all the reviews are in, we look across the different teams to normalize ratings, where needed, to assure even handedness.

4. When will it take effect? Who is eligible?

We expect to complete this process by the middle of October. Your pay raise, however, will take effect from October 1, 2023, but will be reflected from your October 15, 2023 paycheck onwards. In case of delays in our process, all hikes will be backdated to October 1, 2023.

Employees will be eligible if they have been employed full-time with Zoho for at least six months, i.e., since April 1, 2023. Anyone who misses the deadline may be eligible for a Mid-CAR process in April of the following year.

5. What about job titles?

As most new employees learn pretty quickly, Zoho doesn't pay much attention to job titles. Unlike most companies, the importance of your role, or compensation, is not driven by your title. On our India teams, the vast majority of employees are designated by a simple title, Member Technical Staff. Some are further designated as Managers.

It is important to keep this distinction in mind: Compensation should reflect a person's performance, contributions, initiative, creativity, and dedication. At the same time, in some instances a position at Zoho and another company may use the same job title. However, that doesn't necessarily indicate that the reality of the roles, or their compensation structure, are equivalent. If titles are particularly important to someone, they might find that working at Zoho is not the best for them.

6. What is my responsibility? What is my manager's?

Overall, we want Zoho employees to be self directed and mostly self managed. A manager provides vision and some motivational energy, but is not an administrator who necessarily proscribes the day-to-day working agenda for a team. Rather, we hope that momentum arrives bottom up, and the manager simply creates the space to make good work happen.

To make sure they are directing themselves well, most employees should prioritize frequent and clear communication with their manager and team members. We have found over the decades that conversations and collaborations are the precondition upon which all other professional successes are built. At the same time, employees should make sure their work is of a high quality, completed efficiently, and on time.

Team members should be reliable and dependable. This is the essence of teamwork. None of us can succeed if this is compromised, since people count on you. The value of this trait cannot be understated. We also expect employees to conform with all our corporate practices like confidentiality and customer privacy, and be compliant with all standards we are expected to uphold like SOC2 and ISO. Those with very long-standing, unsubmitted expense reports, please get them in, so we can process your raise in time.

7. What if my manager is unfair?

Most Zoho managers have worked their way into their roles. We seldom hire people from the outside and have them manage current employees because we have a culture that we not just want to preserve, but propagate through association. This means your supervisor has spent time with Zoho and has watched and observed their own supervisors. Open and regular conversation is the best approach. People are more often upset by the surprise around an assessment, rather than the actual assessment itself. If your manager does not communicate with you regularly, ask for it.

Reviews are essentially subjective despite any metrics devoted to them. What we can do is

to create a process that's clear, transparent, and more objective. Getting immediate managers to drive the process, under common guidelines, strengthens the process because it puts the responsibility on the people who have observed you best.

Often, people work closely with more than one manager, in many cases across continents. Sometimes, an individual has recently changed teams. In these cases, US HR seeks out input from more than one manager to make sure we have the full picture. If you are one such manager, please seek the opinion of relevant counterparts and give them sufficient time.

That said, no system is perfect. Should you really feel strongly about this, bring it up with HR or with Vijay Sundaram. Remember that the manager often also reviews other employees as well, whose opinions we will seek and take into consideration.

8. What do I do if I want to switch teams?

A long-standing hallmark of Zoho is job flexibility. As many of you know, we are happy to take chances on people since it often brings out the best. Since we are not driven by credentials or what exactly people have done in the past, this means employees can take on very different new roles or additional new responsibilities. Many of you have done that already.

For instance, someone hired as an account executive might discover a passion for public speaking and evangelism, while someone else might have joined Zoho in an operations role, but discover along the way that they have the hunger for sales. We do not have a set protocol for team changes and the process is largely predicated upon open communication and mutual agreement between all parties.

An employee wishing to change teams should speak with their own manager first. Once they have broached the issue with their current manager, they may speak with the potential new manager. An employee may also speak with HR to facilitate the process. Managers will consider a variety of factors: Does the new team need more resources? Would losing a team member present problems for the existing team? Does the growth of a particular team fit with Zoho's larger strategy? Some teams, like Sales, are target driven and will be understandably less flexible in the short term. If all parties agree, then a moving date is set, and managers and HR work with the employee to ensure a smooth transition. Do this out of genuine interest and not as a way to change your pay grade. That won't serve you over the long term.