CHAPTER V

APPRAISAL AND

REWARDS
PERFORMANCE APPRAISAL

Brief Introduction:

Performance appraisal system is widely talked subject and is perhaps the hottest issue within Corporate India. Organizations are undergoing radical changes, organizational goals are changing, tasks of people are changing and HR interventions in each process of management are continuously increasing. Performance appraisal is a system of goal setting, evaluation and compensation is being used to directly link organizational objectives to individual performances. Through this process it is ensured that individual rewards are available only if corporate goals are met. The New People Management (NPM) is successfully preventing people from expending their energies that bear no relationship to organizational objectives.

International and domestic markets are highly customer oriented. Individual performances are directly proportional to organizational progress. Working people are having high aspirations. It is therefore necessary to design an appraisal system that measures peoples’ potential. An appraisal system is required to be more objective so as to satisfy all. Performance appraisal systems vary from organization to organization as organizational needs and individual needs differ. There can not be any standardized system of performance appraisal as applicable to all. Individual aspirations are increasing, value added performances are frequently occurring and it is necessary from the point of view of organizations to retain such highly aspirant people at all times. Personal comparisons in terms of salaries and annual increments are increasing, as working people want due justice in terms of their performances. It is indeed, a big challenge before HR professionals to develop well balanced performance appraisal system on objective lines and majority of staff members should accept such system as a part of their career planning.

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The Questionnaire for Appraisal & Reward was prepared by keeping in mind the following themes:

1. Changing focus of performance appraisal system.
2. Retention of Talent at all levels.
5. Goal setting process.
7. Ideal performance appraisal system.
9. Performance appraisal as a tool for measurement of potential.
10. Monetary Rewards and Non-Monitory Rewards
11. Performance Appraisal mechanism to create contented and friction free workforce.

With the above themes in mind and also by considering recent trends and modules of training and development function, the questionnaire was carefully drafted. The questionnaire was sent to HR Professionals of Representative sample of Research. Their responses were collected. Their personal interviews were conducted and their responses to each question were discussed at depth.

The responses of HR Professionals to each question are Tabularized and are classified into four categories viz.- 1. Very True 2. True 3. Partly True 4. Not True. Percentages were assigned ranging from 1 to 25, 26 to 50, 51 to 75 and 76 to 100 in an ascending order. The distribution table of responses was developed on the above basis and accordingly graphical representation of survey data is represented below each question item response was studied in details and accordingly inferences are drawn by representing survey data on scientific basis. The main issues of research survey are drawn and the same are discussed in the chapter in details. The detail of Audit of Survey Data is accordingly done in ensuing pages.

This research topic is burning issue of Corporate World. It is therefore necessary to analyze the survey data first and accordingly discuss the main issues of research survey to meet the purpose of research.
THE AUDIT

The interactions in the form of questionnaire and personal interviews were related to the 20 statements. Their evaluation is done as following scale

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101
There are 7 industrial units of representative sample of research and 20 questions of research. The responses are graphically represented on the next page:

INFERENCES:

All HR professionals of the seven units of Representative sample have given the responses, which lead to following inferences:
1. There is a mixed response of survey data. 11 research statements are replied in affirmative where as 9 research statements are replied with average response, which is neither negative nor very positive.
2. The reason of mixed response is that all representative sample industrial units are not the best paymasters.
3. Most of these industrial units are having objective performance appraisal system. There is freedom to all the spheres of appraisal system.
4. Performance appraisal system of these industrial units is linked to monetary and non-monetary rewards.
5. Performance appraisal system of these industrial units reflects goal-setting measures viz. quantitative appraisal linked to short term and long term goals of organizations.

As regards mixed response, we can draw the inferences from survey data as under:
1. Some part of appraisal in certain industrial units is taken as mere formality.
2. In these certain industrial units, although appraisal system is linked to reward, the same is develop to suit pay packages. (Cost to company approach)
3. Performance feedback in these units is more on formal lines.
4. Reward system in these industrial units is not innovative or may be rarely innovative.

The Researcher is fully convinced about the mixed response on account of the fact that all these industrial units are not the best paymasters.
The Questionnaire for Performance Management was prepared by keeping in mind the following themes:

1. To develop capabilities of teams and individual contributions.
2. It is the strategic and integrated approach.
3. It develops capabilities of teams and individual contributions.
4. It creates high performance culture.
5. The system is transparent and operates in a free and fair manner.
6. It helps to create common understanding of individual and organizational goals.
7. People feel that they are valued by organizations.
8. It leaves to attainment of objectives.
9. It leads to customer care.
10. It leads to productivity and business awareness.
11. It develops work relationship.
12. It is flexible system, amenable.

With the above themes in mind and also by considering recent trends and modules of training and development function, the questionnaire was carefully drafted. The questionnaire was sent to HR Professionals of Representative sample of Research. Their responses were collected. Their personal interviews were conducted and their responses to each question were discussed at depth.

The responses of HR Professionals to each question are Tabularized and are classified into four categories viz.-

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GRAPHICAL REPRESENTATION OF SURVEY DATA
There are 7 industrial units of representative sample of research and 20 questions of research. The responses are graphically represented as under:

INFERENCES:
All HR professionals of the seven units of Representative sample have given the responses, which lead to following inferences:
1. Majority of responses as many as 17 out of 20 are very much affirmative, hence on the basis of survey data following inferences are drawn by the Researcher.
   - All the industrial units which comprises the research sample have set clear objectives in terms of individual performances.
   - All the industrial units strongly believe in formation of teams.
   - Decision making process is decentralized in these industrial units with the technique of empowerment.
   - The organizations are believing and becoming flatter.
   - Certain organizations and for certain functions still decision making is not decentralized.
   - Empowerment is only meant for top-level positions only.

MAIN ISSUES OF RESEARCH SURVEY
> It should motivate people with monetary and non-monetary rewards.
> It should develop and implement goal setting strategy for employees.
> The basis of performance appraisal criteria should match corporate objectives.
> It should measure people’s potentials and establish the same for mutual benefits.
> Assess performance and not the individuals.
Assess employees for their leadership style, and for their methods and managing styles.

Each point of appraisal should be objective by including multiple points of view.

Create mechanism for providing feedback on evaluation.

Devise the system for rewarding team performances.

**CHANGING STYLE OF PERFORMANCE APPRAISAL SYSTEM**

Performance appraisal system has undergone tremendous changes over the years. The traditional approach of performance appraisal is shifting to modern and more committed approach. The performance appraisal systems is redesigned to make it more effective and developing people and to integrate the process into every day business activity. The following table amply reflects the paradigm shift from traditional approach to new modern approach.

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<tr>
<th>Traditional approach</th>
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<td>➢ An annual event</td>
<td>➢ A continuous process</td>
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<tr>
<td>➢ Superficial objectives</td>
<td>➢ Specific objectives</td>
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<td>➢ Monetary measures only</td>
<td>➢ Broad business measures</td>
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<td>➢ Emphasis on paper work</td>
<td>➢ Emphasis on people and processes</td>
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<td>➢ Some action initiated as function of personnel department.</td>
<td>➢ Every action is initiated to improve business.</td>
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<td>➢ Not clearly associated with business cycle</td>
<td>➢ A great emphasis on inputs and outcomes.</td>
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<td>➢ Broad evaluation of personal qualities</td>
<td>➢ Specific assessment of behavior</td>
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<td>➢ Loose link with salary</td>
<td>➢ Clear link with salary</td>
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A WELL BALANCED PERFORMANCE APPRAISAL SYSTEM

A typically well balanced performance appraisal system consists of following contents:

1. Key Result Areas of Performance
2. Specific Achievements
3. Achievements under difficult circumstances
4. Job attributes
5. Personal attributes
6. Weighted average for each of above factors in terms of job grades and classifications
7. Potential appraisal
8. Self appraisal as done by employees
9. Grey areas of performance of employees, suggested training and employees feedback.

We will discuss each of the above factors of appraisal system in details:

KEY RESULT AREAS OF PERFORMANCE

For each job and post, key result areas (KRA’s) are identified by functional head and HR professional. A proper care is taken to denote key areas very specifically and very indicative of each job. The purpose of identifying key areas is to inform the concerned employee about expectations from him and to motivate him to attain results as a key success. The description of key result areas mainly focused for enhanced performance and is linked to targets. These targets / goals are realistic and a little stretched.

SPECIFIC ACHIEVEMENTS

Any specific achievement under difficult, adverse and unforeseen conditions is specifically viewed and special marks are assigned to it.
PERFORMANCE ATTRIBUTES
Performance attributes like quality of work / quality consciousness, record keeping, budget control, result orientation and cost consciousness are viewed by citing special examples and rating is accordingly done.

MANAGERIAL CHARACTERISTICS
Managerial characteristics like inter-person relations – within organization, superiors, peers, subordinates and outside the organization, sub-ordinate development, leadership style, planning, problem solving, decision making, communication both oral and written are viewed and rating is done accordingly for each point.

PERSONAL CHARACTERISTICS
Personal characteristics like initiative, professional ethics, knowledge upgradation, discipline, and loyalty for company and concern for assets for company are considered and accordingly rating is done.

WEIGHTED AVERAGE
For each of the above factor weighted is considered in terms of classification of jobs as grades and final performance grade is assigned.

POTENTIAL APPRAISAL
Potential Appraisal of an employee is done in terms of his training requirement, Job Rotations, Special assignment and promotional ability.
SELF APPRAISAL AS DONE BY EMPLOYEES
Each employee does his self-appraisal on following lines
• He arranges his performance in the assessment year in terms of importance.
• He writes about any personal constrain operating on him affecting his performance.
• He writes about his major strengths and weaknesses.
• He specifies weaknesses affecting its performance.
• He specifies actions taken to improve performance over the last year.

BEST PRACTICES IN GOAL SETTING – Goals – individual / team
➢ 4-8 goals for each person / team are set. A few of which focus on the most important outputs, but enough to capture major tradeoffs and dimensions.
➢ Linked to business unit’s performance drivers and goals.
➢ Expressed in quantitative measures, with specific target for the current year.
➢ Can be a mix of business results and initiatives/projects.
➢ In “line of sight” of the individual- he/she has significance influence, if not control on what it takes to achieve the goal.

Set through some combination of top-down and bottom-up processes, but sum of individual goals must add up to the business unit goals.

INDIVIDUAL GOALS LINKED TO BUSINESS UNIT GOALS
➢ Corporate goals
  Consolidated performance across the Organization
  (E.g. growth, Employee performance standards, employee satisfaction)
➢ Business unit goals
  1) Few most important performance drivers for business
  2) A “balanced scorecard” including customer retention, quality, cost and employee satisfaction.
Individual Goals

1) 4-8 goals for each individual
2) Linked directly to business unit goals matching individual influence
3) Actions and meanings
   (E.g. on-time deliveries, energy cost per unit of measurement and sales per person)

COMPONENTS OF INDIVIDUAL GOALS

Individual goals have three components viz. Objective, measurement and target. Let us discuss those components in terms of definition and example. Individual goals may include projects and initiatives and the objectives of individual goals are actionable and meaningful. Individual goals are more on realistic lines and are stretched a little so as to develop capacities of individuals.

The following table rightly describes the components of individual goals.

<table>
<thead>
<tr>
<th>Component</th>
<th>Definition</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective</td>
<td>The objectives towards which organization and individual strive; should describe ideal behavior and will often reflect a trade off</td>
<td>Increase shareholder value while providing superior customer satisfaction</td>
</tr>
<tr>
<td>Measurement</td>
<td>Specific performance indicator that characterize attainment of goals should be quantitative</td>
<td>Employee’s performance satisfaction</td>
</tr>
<tr>
<td>Target</td>
<td>Time limited standards of performance against which achievement can be gauged</td>
<td>Definite earrings per share as per past record</td>
</tr>
</tbody>
</table>
PERFORMANCE GOALS AND EVALUATION

Performance goals and evaluation are based on the following components.

- Style of accountability
- Setting goals and monitoring results
- Performance evaluations
- Compensatory rewards

STYLE OF ACCOUNTABILITY

Accountability means people consistently deliver the expected results. It has threefold actions viz.; -

1. People know exactly what results they are expected to deliver.
2. People have the skill and resources to be able to deliver those results
3. People experience the consequences of meeting or not meeting his expectations.

Instilling accountability is important to

- Focus people on the most important performance drivers of the business.
- Motivate people to give their best.
- Inform people about how they should improve their performance.
- Support performance ethic that will help, attract & retain good people.
- Create high performance standards.
- Good performance rewarded and recognized.

As regards goal settings we have discussed above in details. Let us know turn performance evaluation.

PERFORMANCE EVALUATION

Performance evaluation has three components namely, results against goals, competencies / values and overall evaluation rating.
The following table amply reflects the modus operandi.

<table>
<thead>
<tr>
<th>Results against goals “What achieved”</th>
<th>Competencies / values “How achieved”</th>
<th>Overall evaluation rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Results achieved against the 4-8 quantitative goals set at the beginning of the year</td>
<td>• Methods and values also important, in addition to results</td>
<td>• A single rating that summarizes overall performance</td>
</tr>
<tr>
<td>• May also include 1-3 project goals</td>
<td>• The skills, traits, or values required to be successful in this company or job</td>
<td>• Enough rating categories to provide sufficient differentiation, but not so many as to complicate (4-7 ratings)</td>
</tr>
<tr>
<td></td>
<td>• Can be a basic list of 8-10 characteristics / values common to all managers or a detailed competency model specific to that position</td>
<td>• Some process to control rating distribution to avoid grade inflation and ensure clear, frank messages</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Public knowledge about the usual distribution of ratings so individuals understand the message</td>
</tr>
</tbody>
</table>
COMPENSATORY REWARDS

Rewards are given of different types. Rewards are meant for focussing people on right things and motivating people to give their best. They are in the form of cash rewards in terms of salary increases, cash incentives and bonus and stock option. Recognition is in the form of appreciation by superiors, public posting of results and public awards. Career opportunities are in the form promotions. Non-monetary rewards are in the form of time off, Retreats and trips and dinner and movie.

APPRAISAL REPORTS FORMATS

Appraisal reports formats are varying from company to company. Some companies have long formats whereas company like SKF is having the shortest possible format. It is necessary to develop simple and clear form of appraisal so that it is convenient to the appraiser and it is explainable to the apprise. The main object of appraisal forms is to maintain update record of performance of employees and rewards them in terms of annual increments as per performance standards attained by employees. It is also necessary we have well laid down performance appraisal system with maximum possible transparency so that there will be atmosphere of equity and justice prevailing in the organizations. If the appraisal system develops disputes on the basis of individual comparisons, the same becomes obsolete and difficult to operate.

The Researcher in his visit to SKF Ballbearing Ltd. had collected their performance appraisal form. This is the simplest of all the performance appraisal forms, studied by the Researcher. The Researcher is, therefore giving the said format here
MANAGEMENT STAFF - PERFORMANCE REVIEW (NAME \( T.\text{NO}\))
(PERFORMANCE PERIOD APR- TO MAR)

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Definition</th>
<th>Weightage</th>
<th>Scale</th>
<th>Score</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Performance on PDR</td>
<td>1. Achievement of Key Targets 2. Achievement of Job Objective (Max. 3)</td>
<td>6.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Managerial Ability</td>
<td>1. Implements Changes 2. Trains people 3. Works with the team</td>
<td>5.0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**

Total: 20

**PDR Based Key Targets / Job Objectives**

1.  
2.  
3.  

**Training / Development Needs (Choose from Training Module)**

- Module & Training Plan to be filled in by HR.

We have discussed & agreed aforesaid targets for this year and the performance appraisal will be reviewed as per the above targets / objectives & criteria.

Appraises Sign __________________ Appraiser Sign __________________ Dept. Mgr. Sign. __________________

(Date) (Date) (Date)

Name in Capital __________________ Name in Capital __________________ Name in Capital __________________

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THE APPRAISAL PROCESS

The system of performance appraisal would be successful and effective only if appraisers commit sufficient time and effort to the exercise. Performance appraisal is not a one-time activity to be completed at the end of the year. It is an on-going process consisting of a number of phases:

Phase 1: Goal Setting

Clear goals, objectives, key tasks, key result areas should be defined and recorded for the appraiser based on

- Organization’s annual plan
- Departmental goals.
- An appraises job description

All key tasks should be arrived at after mutual discussion and agreement and should be measurable quantitatively or qualitatively. These key tasks would then provide guidelines to managers for performance throughout the year. Though the key tasks would have been determined at the time of annual appraisal they should be reviewed periodically.

Mid-course modifications may be made in the set goals and targets in case of unforeseen changes in the organization or environment.

Phase 2: Maintaining records

Appraisers should maintain records of their appraises performance to ensure cognisance of all his activities throughout the year. Due weightage should be given to the appraisee’s performance, both satisfactory and unsatisfactory, during the year.
It is possible that events closer to the time of appraisal are fresher in the appraiser’s memory. These influence overall evaluation even though performance during the year may not have been similar to year end performance.

**Phase 3: Frequency of appraisal**

The formal appraisal should be conducted only at the end of the year. However informal feedback should be given to the appraisee throughout the year, particularly when a job has been done well or when there has been an error. Appreciating good performance would motivate the appraisee while feedback on unsatisfactory performance would provide him with a chance to improve.

**Phase 4: Completing the self-appraisal form**

The objective of self-assessment is to help the appraise review and highlight his achievements on the job objectively. The self-appraisal form should narrate the appraises specific achievements (e.g. quality improvement, cost and timesaving, completion of project on schedule and without cost overrun, etc.) during the assessment year. When mentioning action the appraise would like to take during the current year to improve his performance, areas such as improving communication skills or financial skills or learning about project management, etc. should be stated as applicable. Appraises strengths and weaknesses mentioned in the form should pertain to the job situation and must have direct relevance to his performance on the job.

**Phase 5: Completing the appraisal form**

Sufficient time should be set aside by the appraiser to complete the appraisal form and ensure full justice to the appraise. Evaluation should be based on objective judgement of performance and supported by examples. Key result areas set during the previous appraisal should be referred to when completing section A.
Informal records maintained during the year would help in completing the form. Self-appraisal forms filled up by appraisees should be taken into account when filling up the forms. If there are major differences in the self-appraisal and the appraiser’s assessment, these should be discussed during the feedback and counseling interview and noted on the form.

**APPRaisal FOR PRODuctivity**

Personal productivity is indeed an unmeasurable aspect. Individual productivity can be beyond expectations. Efficiency can be measured of shopfloor workers in simple arithmetic – output divided by time is equal to productivity. Organizations are now concentrating for enhancing managerial productivity. Such type of approach pays. It spurs employee’s performance and helps to set objectives and quantity targets. The real challenge is however is to design a system that converts the intangible outcome of managers work into heart measurable factors.

Managerial productivity can be assessed by considering following six parameters:

- Supply chain from raw material procurement to finished product.
- Customer service from enquiry order to receipt collections
- Interaction, the service chain from customer complaint to resolution
- Innovation and product development
- Availability of finance
- Human research department.

Once managerial productivity is assessed, it is linked to organizational goals and in turn with Rewards.

Most of the industrial units of Pimpri-Chinchwad belt and specifically the units of representative research sample follow the method of linking productivity to rewards. Five-point individual assessment is link to the team appraisal system.
For senior managers, the exercise involves various departmental heads and CEO himself, who sit together and evaluate organizational performance via the competitor's performance and against organizations' objective setting. Subsequently, each function within the group is rated in the same manner. Each functional team assesses the other team as a customer, for example, manufacturing is materials' customer, and only one team is ranked as the top performer. Then, the departmental heads rate his managers within his team individually. Individual assessment is done on the basis of individual appraisal rating with his team rating and his individual rating within the team. Productivity linked appraisal and reward system boost individual performances.

BEST PRACTICES

The practices for productivity linked appraisal differ from organization to organization, business strategies, and performance culture. The best practices as followed by majority of organizations are summarized below:

- Clearly separate rewards for potential from reward for past performance.
- The factors used for evaluating potential must be circulated amongst all employees.
- Communicate potential assessment at each level on a regular basis.
- Potential evaluation exercise should be done as early as possible to tap the talent.
- Productivity appraisal should be an integral part of regular appraisal system.

Productivity linked appraisal model consist of following:

1) Organizational Objectives
2) Functional objectives
3) Organizational objectives linked to functional objectives
4) Key result areas
5) Measurement of Personal Productivity on the basis of attainment of objectives
6) Final assessment
360 - DEGREE APPRAISAL

360-Degree appraisal is the latest and the most exciting development in the field of performance management. 360-Degree appraisal has been defined by Ward as “the systematic collection and feedback of performance data on an individual or group derived from a number of the stakeholders on their performance.” The data is usually fed back in the form of ratings against various performance dimensions. A typical 360-degree appraisal model can be as under:

![Diagram of 360-Degree Appraisal Model]

Reasons for introducing 360-Degree Appraisal: the following are reasons for introducing 360-Degree Appraisal

- It is seen as best practice.
- It is suitable for non-hierarchical and flexible organizations.
- It assists managers with limited knowledge of performance after restructuring.
- It reflects value that wider groups should have input into performance management.
360-DEGREE APPRAISAL METHODOLOGY

The Processes of 360-degree feedback usually obtain data from questionnaires that measure from different perspectives the behaviors of individuals against a list of competencies. In effect, they ask for an evaluation: ‘How well does … do….? ’

The competency model may be one developed within the organization, or the competency headings may be provided by the supplier of a questionnaire. The dimensions may broadly refer to leadership, management and approaches to work. The headings used in the Performance Management Group’s Orbit 360-Degree questionnaire are:

- Leadership
- Team player / manage people
- Self-management
- Communication
- Vision
- Organizational skills
- Decision-making
- Expertise
- Drive
- Adaptability
The leadership heading, for example, is defined as:

Shares a clear visions and focuses on achieving it. Demonstrates commitment to the organization’s mission. Provides a coherent sense of purpose and direction, both internally and externally, harnessing energy and enthusiasm of staff.

The competency model – Saville & Holdsworth is shown in the following table

<table>
<thead>
<tr>
<th>Area</th>
<th>Competency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial qualities</td>
<td>Leadership&lt;br&gt;Planning and organizing&lt;br&gt;Quality orientation&lt;br&gt;Persuasiveness</td>
</tr>
<tr>
<td>Professional qualities</td>
<td>Specialist knowledge&lt;br&gt;Problem-solving and analysis&lt;br&gt;Oral communication&lt;br&gt;Written communication</td>
</tr>
<tr>
<td>Entrepreneurial qualities</td>
<td>Commercial awareness&lt;br&gt;Creativity and innovation&lt;br&gt;Action orientation&lt;br&gt;Strategic</td>
</tr>
<tr>
<td>Personal qualities</td>
<td>Interpersonal sensitivity&lt;br&gt;Flexibility&lt;br&gt;Resilience&lt;br&gt;Personal motivation</td>
</tr>
</tbody>
</table>

---

Ratings

Ratings are given by the generators of the feedback on a scale against each heading. This may refer both to importance and performance, as in questionnaire asking respondents to rate the importance of each item on a scale of 1(not important) to 6(Essential), and performance on a scale of 1 (Weak in this area) to 6(Outstanding). The scale recommended by Edward and Ewen (1996) consists of 10 Points:

- 9-10 an exceptional skill
- 7-8 a strength skill
- 5-6 appropriate skill level
- 3-4 not a strength
- 1-2 least skilled.

Data – Processing

Questionnaires are normally processed with the help of software developed within the organization or, most commonly, provided by external suppliers. This enables the data collection and analysis to be completed swiftly, with the minimum of effort and in a way that facilitates graphical as well as numerical presentation.

Graphical presentation is preferable as a means of easing the process of assimilating the data.

---

Feedback

The feedback is often anonymous and may be presented to the individual or to the individual manager or both. Some organizations do not arrange for anonymous feedback. Collecting anonymous feedback is organizational culture: - the more open culture

Action

The action is generated by the feedback and will depend on the purpose of process, development appraisal and pay. The purpose is primarily developmental, the action may be left to individuals as part of performance development processes. The planning process is shared between individuals and their managers. Action is an important part of 360-Degree appraisal as development and implementation largely depends on it.

DEVELOPMENT AND IMPLEMENTATIONS

1. Define Objectives – it is important to define exactly what 360-degree feedback is expected to achieve. It is necessary to spell out the extent to which it is concerned with personal development, appraisal or pay.

2. Decide on recipients – i.e. who is to be at the receiving end of feedback. This may be an indication of who will eventually be covered after a pilot scheme.

3. Decide who will give the feedback – the individual’s manager, direct reports, team members, other colleagues, or internal and external customers.
4. A decision has also to be made whether HR staff or outside consultants should take part in helping managers to make use of the feedback. A further decision will have to be made whether or not the feedback should be anonymous (it usually is).

5. Decide the areas of work and behavior on which Feedback will be given - this may be in line with an existing competency model or may take the form of a list of headings for development. Clearly, the model should fit the culture, values and type of work carried out in the organization. But it might be decided that a list of headings or questions in a software package would be acceptable, at least to start with.

6. Decide the method of collecting the data – the questionnaire could be designed in-house, or a consultant’s or software provider’s questionnaire could be adopted, with the possible option of amending it later to produce better fit.

7. Decide data analysis and presentation – again, the decision is either to develop the software in-house or to use a package. Most organizations installing 360-degree feedback do, in fact, purchase a package from a consultancy or software house. But the aim should be to keep it as simple as possible.

8. Plan an initial implementation program – it is desirable to pilot the process, preferably at top level or with all the managers in a function or department. The pilot scheme will need to be launched with communications to those involved about the purpose of 360-degree feedback, how it will work and the part they will play. The aim is to spell out the benefits and, as far as possible, allay any fears. Training in giving and receiving feedback will also be necessary.
9. Analyze the outcome of the pilot scheme – the reactions of those taking parts in a pilot scheme should be analyzed and necessary changes made to the process, the communication package and the training.

10. Plan and implement full program – this should include briefing, communicating, training, and support from HR and, possibly, the external consultants.

11. Monitor and evaluate – maintain a particularly close watch on the initial implementation of feedback, but monitoring should be ongoing. This process may cause anxiety and stress, or produce little practical gain in terms of development and improvement performance for a lot of effort.

MERITS

➢ Motivates your employees to perform better.
➢ Cost your organization next to nothing
➢ Builds tremendous self-esteem among your people
➢ Makes your employees more loyal to the company
➢ Creates an atmosphere where change is not resented

DEMERITS

➢ Demotivates people if processes are not transparent
➢ Could result in unhealthy competition among people
➢ May lead to short-sighted, hasty decision-making
➢ Work intrudes on the home life of employees.
➢ Will never work if monetary rewards are inadequate.
360-degree feedback: criteria for success

- It has the active support of Top Management, who participate in taking and giving feedback and encourage everyone else to do the same.
- There is real determination by all concerned to use feedback data for development purpose.
- Questionnaire items fit or reflect typical and significant aspects of behavior.
- Comprehensive and well-delivered communication and training programs are followed.
- Bureaucracy is minimized
- No one feels threatened by the process.
- Feedback question is relatively easy to complete with clear instructions.

360-degree appraisal is widely followed method of performance appraisal. The results of the system are very encouraging and largely serve the cause of organizational development.

THE ASSESSMENT CENTRE

This is a regular method of performance appraisal. Under this method, many evaluators join together to judge employee performance in several situations with the use of a variety of criteria. It is used mostly to help select employees for the first level (the lowest) supervisory positions. Assessments are made to determine employee potential for purposes of promotion.

The assessment is generally done with the help of a couple of employees and involves a paper-and-pencil test, interviews, and situational exercises.
Some of the other features of this system are as under:

- The use of situational exercises (such as an in-basket exercise, business game, a role-playing incident and leaderless group discussion);

- Evaluators are drawn from experienced managers with proven ability at different levels of management;

- They evaluate all employees, both individually and collectively, and each candidate is given one of the four categories: more than acceptable, acceptable, less than acceptable and unacceptable;

- The members prepare a summary report, and a feedback on a face-to-face basis is administered to all the candidates who ask for it.

The merit of this system is that it is a better method of identifying managerial potential than any other personnel method. The only drawback is that an organization usually has to be fairly large to reach potential gains and the cost per candidate is on higher side.

**IMPLEMENTATION OF THE ASSESSMENT TECHNIQUE**

There are various steps in implementation of the Technique. These steps can be summarized as under-

- Identify requirements & take feedback from previous assessment centre.
- Make formal announcement, inviting recommendations for assessment centre.
Call for nominations with requisite details.
- Design program with venue, time & date.
- Compose panel.
- Form groups & individual exercises. Brief assessors

Interview candidates & announce the results. Provide feedback to functional heads & HR manager & functional heads to prepare training programs for non-selected candidates.

**THE STOCK OPTION TECHNIQUE:**

This is the latest technique of performance appraisal. By this technique, best managers are rewarded with stock options. It has been the old practice of offering ownership of organizations to their employees. Preferential offering of shares of public issue can be reserved for employees. Linking stock allocation to managers' present and potential contribution is the new motivating technique called as Stock Option Technique. Stock Exchange listed companies have two choices viz. 1) Offer shares from promoters quota wherein the price can be lower than the market price, or 2) Preferential issue of shares to employees. The idea is to allow your managers to benefit from an increase in his organizations scrip price. This technique is predominately followed by all leading software and multinational companies. The hidden aspect of this technique is a locking period between the offer and the option date. This is very crucial. Managers can encash stock holding after a considerable period of time within which his tenure is assured in organizations. This technique motivates managers with benefits and simultaneously their tenure in organizations is continued. Thus stock options foster a long-term bond between the company and the employee. Allotting stock options is recognition of manager's performance and contribution.
MERITS

- Individual performance is recognized and is linked to salary package.
- Helps in retention of talent.
- Motivates manager to perform better.
- Sense of ownership and responsibility is developed in the minds of managers.
- Encourages teamwork.

IMPLEMENTATION OF STOCK OPTION SCHEME:

Various steps involved in implementation of stock option scheme can be summarized as under:

- Seek approval of Board of Directors.
- Determine number of shares to be allotted, decide allotment system & allotment price.
- Decide the type of instrument like debentures, stock warrants etc.
- Identify eligible employees and divide them into group.
- Determine eligibility criteria for allotment.
- Determine the locking period.
- Circulate information about method of stock options.
- Pay dues as per each option.

Stock option technique is greatly leading retention of talent and the same is widely followed.

POTENTIAL APPRAISAL:

Potential appraisal is an important integral part of performance appraisal system. Measuring employee’s potential is very much necessary as it leads to what he can achieve tomorrow.
Potential appraisal enables organizations to identify and tap talent as early as possible. Factors used to evaluate potential are required to be explained for each and every employee and results of potential appraisal should be communicated to each individual at regular intervals.

The results of potential appraisal are very much successful. The system is twice blessed – it blesses employees having strong potential and it blesses organizations as employees’ potential is tapped and is judiciously utilized. In organizations, there are certain average performing employees. They are marked separately and are developed and transformed as good performing employees.

Potential appraisal is a management development function and leads to following benefits:

- Developing HR system to match organizations strategic plans.
- Equitable compensation planning.
- Normal remuneration reward system.
- Role analysis and clarity.
- Job analysis and evaluation.
- Succession planning.
- Training and development on the basis of appraisal.

POTENTIAL APPRAISAL CRITERIA:

A potential appraisal criterion is having quadruplicate criteria viz. 1) operational effectiveness 2) Motivation for achievement 3) conceptual skills and 4) Interpersonal skills. The details of components under each of them are as under:
1. **OPERATIONAL EFFECTIVENESS:**
   - Achievement of results.
   - Individual performance and effectiveness.
   - Risk taking attitude.
   - Control on business.

2. **MOTIVATION FOR ACHIEVEMENT:**
   - Innovation.
   - Drive.
   - Ambition.
   - Stability.
   - Professional aspiration.

3. **CONCEPTUAL SKILLS:**
   - Vision.
   - Realistic approach.
   - Business orientation.
   - Entrepreneurial skills.
   - General knowledge about business and surroundings.

4. **INTERPERSONAL SKILLS:**
   - Personality impact.
   - Negotiation skills.
   - Oral and written communication.
   - Body language.
   - Aptitude for public relations.
   - Knowledge on variety of subjects.
Besides the previous points, the other important points we can figure in potential appraisal are as under:

- Thinking power.
- Goal setting and goal chasing practices.
- Leadership skills.
- Analytical ability.
- Promoting teamwork.
- Innovative approach in systems, procedures and processes related to business and work environment.
- Getting along with the people and developing cross-functional teams.
- Personal judgement leading to quick redressal of problems.
- Conflict management.

Potential appraisal is developmental part of performance appraisal. Performance appraisal leads to actual performance on jobs, whereas potential appraisal leads to individuals’ potential beyond actual performance of job. All the companies of Representative sample of Research and Researcher’s own company is paying full attention for potential appraisal.

The entire work force can be developed as good performing and smiling work force through effective potential appraisal. Job rotation is by-product of potential appraisal. Efficient managers are rotated through various functions so as to develop them as versatile managers. Potential appraisal is indeed the most rewarding and the encouraging part of appraisal system.
NON MONETARY TECHNIQUES:

It is well-accepted fact that money alone can not motivate employees. There are certain other factors, which along with money motivate employees in a greater way. The basic idea of passing non monetary benefits to employees is to cover the benefits to their family members. Employee’s personal life beyond formal working always contributes to his performance. A happy employee always performs better than unhappy employee. Individual recognition is itself a reward. Corporate India is finally recognizing importance of non-monetary benefits as offered to employees and which results into retention, with employees’ sense of belonging and loyalty. Recognition is basic requirement for creating positive work culture in organizations.

THE TYPES OF NON MONETARY REWARDS:

The list of non-monetary rewards is so exhaustive even for Researcher’s representative sample industrial units that it is difficult to choose some of them as ideal rewards. The most commonly followed non-monetary rewards are summarized as under: - 

- The Most Hard Working Employee of a Month.
- The Most Cost Conscious Employee of the Month.
- Three Best Suggestions of the Month.
- The Role Model of the Year.
- Small gifts on birthdays.
- Appreciation of good work.
- One movie every six month department wise.
- One picnic in a year with family members, all the staff.
Individual recognition is one of the most effective non-monetary rewards. The desire for self-esteem and self-pride is always there in everybody’s mind and if the same is fulfilled, the employees are intrinsically motivated to give astonishing results. Key result areas are considered as hard tools where as non-monetary rewards are considered as soft tools of high performance culture, may be for developing or developed organization.

The Researcher’s organization is giving Bouquet of flowers and Birthday greeting card signed by the Managing Director to every employee, irrespective of cadre and class. This has greatly resulted into unity and integrity in the minds of all employees.

**MERITS:**

- Motivates employees to perform better.
- There is no extra cost.
- Builds tremendous self esteem amongst employees.
- Makes employees loyal and spirit of unity is developed.
- Develops congenial work atmosphere, wherein all are committed to succeed.
DEMERITS:

- Demotivates people if the system is not transparent.
- Results into unhealthy competition.
- Employee's home life is affected at a time.
- Will not operate if monetary rewards are inadequate.

This brings to sweet end of Performance Appraisal System. Corporate India and industrial units of Pimpri-Chinchwad Industrial belt are deeply concerned to develop sound performance appraisal system, which will be accepted by majority of employees. Individual aspirations are increasing and organizational work plan is vastly changing.

Personal comparisons although not advisable are inevitable. Retention of talent and motivation of work force are the major challenges before the industrial sector. Individual performances are leading to astonishing results. On the other hand, there is stiff competition in the markets. Equations of markets are showing imbalancing results. Customer is more assertive and demanding. All business strategies are linked to customer satisfaction.

In the above mentioned do or die battle. Stable work force in a high performance culture meeting objectives of company is very very dire need of industrial sector. Sound Performance Appraisal System- both qualitative and quantitative together with effective Performance Management System will largely attain organizational plans.
PERFORMANCE MANAGEMENT:

Performance management is a strategic and integrated approach to delivering sustained success to organizations by improving performance of people and by developing the capabilities of teams and individual contributions. The system is strategic, as it is concern with broader issues of business. It has to function effectively to attain short term and long term goals of organization. It is integrated with quadruplicate senses viz. –

1. Vertical integration: - Linking or aligning business, team and individual objectives.


3. HR integration: - Linking organizational development to HR systems to attain organizational objectives and development of people.

4. The integration of individual needs with organizational needs.

IMPLEMENTATION OF APPRAISAL SYSTEM

Implementation of appraisal system is very well described in performance appraisal guide of Institute of manpower studies. The same details are given below. In order for any appraisal scheme to work it should be supported first by top management, and secondly by those people who will be using the scheme.

The process of implementation is one of several steps, encouraging, as much involvement is possible from the rest of the organization. The following steps are helpful.
GAINING THE SUPPORT OF TOP MANAGEMENT

Top management must own the idea, support the system and be seen to do so. They can be involved in the draft proposal stage, in building networks between top managers and through being involved in key steps. Encouraging this involvement through use of appropriate language, talking about financial savings, pointing to good results elsewhere as well as greater management control should help to develop top management commitment. Without this commitment it will be difficult to set up and run a successful appraisal scheme.

USE OF ADVISORY GROUPS

This should not be a working committee but one or more consultative groups. They usefully comprise six - twelve people from different groups and different levels, and their role is to respond and comment. In this way they can help develop an action plan for the appraisal implementation with very practical steps.

These groups are beneficial in that they help to solve real problems, investment of time in them helps demonstrate management ownership of the scheme.

IMPLEMENTING A PILOT PROGRAMS

A pilot program can help fine tune a scheme and publicize the positive benefits of the scheme. However, it is important to establish clear objectives for the pilot program, and to select an appropriate test area, which is reasonably small, but self contained one where everyone can be involved and resources are available. The pilot study timescale, roles and responsibilities, potential obstacles and their resolution and evaluation procedures should be established before the program is begun. Also, time for problem solving and for feedback to participants should be provided.
ENSURING RESULTS

Real lasting change is never achieved in a speedy one-step manner; it must be part of an ongoing strategy, which integrates components and activities. Change results from events (short-term one-offs) and systems (multiple activities/events).

The characteristics of an event as defined by are (Leibowitz, Faren kaye 1986):
- Short term
- Single activity
- Targets specific audience
- No links with other activities
- Short term pay-offs
- Isolated to one area
- It is completed

The characteristics of a system as defined by are (Leibowitz, Faren kaye, 1986):
- Longer term
- Multiple activities
- Involve all groups
- Move with the changing structure
- Continuing progress
- Ongoing strategies and activities
- May be integrated with other activities
- Self perpetuating
It is important in both cases to keep the organization informed. This will provide information, encourage commitment, build momentum develop responsibility and increase both employee and organization visibility. Publicizing the success of, for example, the pilot study, will help with all these benefits.

Successful implementation depends on publicity and training. The next sections cover these two important aspects of the introduction of an appraisal scheme.

PUBLICITY

Publicity can be used to introduce performance appraisal, to reinforce support from the top, to encourage commitment, develop responsibility and build momentum; but a publicity plan is necessary. The publicity plan must include:

- The goals of publicity;
- Budget and time constraints;
- Media resources (both internal and external);
- New media resource development;
- Whether the campaign is formal or informal;
- Who is responsible for the publicity;
- Who is responsible for evaluation and follow-up of the publicity plan.
- It is important to start early and spell out the concept of the plan, and the activities. It is helpful to get the participants involved and to use senior managers to sell the scheme to the target audience.
- Publicity plans have used the following vehicles:
- Question and answer sessions;
Magazines and newsletters;
Posters and leaflets;
Video made by top management and professionals;
Posting up minutes of advisory group meetings.
Publicity plans also need to cover:
The background to the current scheme;
The business position of the organization;
The objectives of the scheme;
Where the scheme fits with business strategy;
The process of the scheme - how it works (including any appeal provisions);
Any pilot studies which have been done;
The follow up provisions of the scheme;
The confidentiality of information - who will see it;
Training provisions
Who will be trained
When the training will take place
What is involved in training
And Finally the name and telephone number of someone who will be delighted to help with any queries staff may have.

TRAINING
Training is important - often as an attitude changing exercise, and certainly to show where the appraisal scheme fits in with the organization's objectives. It helps reduce participant's fears by enabling them to prepare for their review interviews adequately, and thus the whole process runs smoothly and therefore more effectively. It is usually important to show that the scheme is a professional and consistent training programme.
Appraisal training covers two groups of people: those doing the appraising, and those being appraised. Appraisers usually need training in their role in the scheme, as well as in performance assessment skills and interpersonal and interviewing skills. Appraises need training to understand the scheme and their role in it, and to help them prepare well for their review interview. It lets them know what their responsibilities are and thereby encourages positive participation.

It is often argued that training is essential. Without training the scheme will probably be treated with fear and disdain and will lack consistency, and therefore fairness.

**PERFORMANCE MANAGEMENT AN INTERLINKED PROCESS**

Performance management is the business strategy and key part of *Total Quality Management (TQM)*. Most of the industrial units of Representative Research Sample reported that they introduce a new process for managing performance. The main part of the system is customer focused and develop to gain competitive edge in the markets.

Performance management system is introduced by the industrial units to attain following objectives :-

1) Performance oriented Rewards and Culture.

2) Line manager’s involvement with discretionary powers for reward decision.

3) Distribution of rewards in a fair manner in terms of performance grades.

4) Reward System is simple and flexible.

5) Responsibilities are passed on with accountability to unit managers.

In almost all industrial units of Research Sample there was more than one factor driving the development of performance management. A Performance management is indeed very important tool to dilute present complex industrial scenario.
A CONTINUOUS PROCESS
All the organizations without any exception are going for periodic performance management system so as to ensure that their managers meet staff on regular basis and can develop performance philosophy into the manager - subordinate relationship.

ENHANCED STRESS ON INPUTS
The use of competencies in Performance management process is one of the major growth areas. Competency development is one of the major gains of systems. There is an increasing concerned with what individuals bring to organizations and orientation of their jobs, instead of simply measuring performance. The line managers have a great role to play.

Generally there is a strong belief that the system makes a great and a positive impact on individuals and organizations. Changing nature of business and marketing scenario is putting a lot of stress on the system. However, it is very clear that the system establishes clarity about expectations from people and the need to improve communications between managers and staff.

CONTENTS OF PERFORMANCE MANAGEMENT
There are various elements performance management. These are summarize as under

1) Leadership- It is the behavior of Executives & Managers that inspires their staff &subordinates.
2) People Management- Full realization potential of people
3) Policy and Strategy- Method of formulation of policies and Strategies and converting into plans and actions.
4) Resources- Management of resources effectively and efficiently.
5) Customer Satisfaction- Customer is treated as a God and his satisfaction is a paramount consideration.
6) People Satisfaction- Organizational methods for enhancing people satisfaction.
7) Business Results- What methods are employed in achieving business in a planned manner and in tune with organizational objectives.

CHARACTERISTICS OF PERFORMANCE MANAGEMENT

1) It communicates vision and objectives to all employees
2) It sets departmental and employee wise performance targets.
3) It conducts review of progress.
4) It improves effectiveness.
5) It identifies training needs.
6) It informs performance target
7) It uses standard appraisal system for easy communication and acceptance
8) It links performance pay and reward
9) It adopts strategic approach
10) It develops a strong Corporate Culture

TARGETS AND TASKS

➢ Targets - quantifiable results to be attained that can be measured in such terms as return on capital employed, output, throughput, sales, levels of service delivery, cost reduction, reduction of reject rates.

Tasks/projects - to be completed by specified dates to achieve defined results.
AIMS OF PERFORMANCE MANAGEMENT: -

There are two basic aims around which Performance Management System revolves. These are,

1. When people, individuals and teams understand what is expected of them and have taken part in forming these expectations, they will be endeavored to meet them.

2. The capacity to meet expectations depends on levels of capacities, which can be achieved by individuals and teams with top management support and systems, procedures and processes with resources made available to them by organization.

Performance management systems should be introduced precisely and should be implemented with sustained efforts. Thus the preciseness and sustained efforts are the main integral parts of the system. The challenges before the system can be summarized as under: -

- Develop a culture of high performance, which inspires each employee.
- Create equilibrium of organizational objectives and individual aspirations.
- Develop multi skilled work force.
- Formulate well-planned career plans for talented individuals.
- Empower employees to take independent decisions.
- Develop teams and cross-functional teams in all operational processes.
- Free flow of information to all.
- Develop sweet – will partnerships with people for progressing there career plans.
CRITERIA FOR SUCCESS:
Performance management system can be successful if following criteria's are strictly followed.

1. Performance management system fits the culture of the organization.
2. There is commitmental support from top management.
3. There is active involvement of line managers with shared partnership of employee.
4. It adds values in terms of short term and long term development.
5. It is strategic and integrated business policy.
6. The process is fully transparent and operates fairly and equitably.
7. The process recognizes that there is a community of interest in organization, which respects individual needs.
8. Managers and Team leaders to help the people feel that they are valued by organizations use performance management processes.
9. Performance management processes help to align organizational and individual goals.
10. Training in performance management skills is given to managers, team leaders and employees.

CRITERIA FOR MEASURING PERFORMANCE 17
Criteria for measuring performance in order of priority is as under:

- Achievement of objectives
- Quality
- Customer care
- Competence
- Contribution to team
- Work relationship

➤ Matching personal objectives with organizational goals
➤ Flexibility
➤ Productivity
➤ Skill / Learning target achievement
➤ Business awareness
➤ Financial awareness

PERFORMANCE MANAGEMENT SYSTEM

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The above table rightly indicates the various stages involved in performance management system and inter linkage of each of the factors with the others. This table amply covers the methodology of performance management system.

The Researcher has developed periodic performance appraisal form for his company. The said form is reproduced below for understanding the purpose of performance management in true sense.

(To be filled up by the immediate Superior)

Frequency:
For employees who are in C to B performance grade, the form should be filled up quarterly i.e. in July (for April – June); October (for July – September); January (for October –December) & April (for January – March) in respect of them. The employees who are in +B to +A performance grade, the form should be filled up on six monthly basis i.e. October (for April – September) & April (for October – March)

PERFORMANCE MANAGEMENT FORM

1. Job Title
   - Name of staff member
   - Qualifications
   - Date of joining
   - Designation on joining
   - Present designation & location

2. Key Responsibilities

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<th>Key Responsibilities</th>
<th>Performance</th>
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3. Grey areas of performance

4. Appraiser’s suggestions for mode of action and training program to help the employee to improve on Grey areas of performance.

5. Line managers recommendations

6. Functional heads recommendations with detailed plan of action.

7. Details of critical incidence occurred in respect of employee.

8. Major achievements of the employee.

9. Major potential of the employee.

10. Appraises views

11. Any other suggestions

Signature of immediate Superior

__________________________________________

Signature of next Superior

Signature of Employee

Signature of Line Manger

Signature of Functional Head

The format of performance management system varies from organization to organizations and in tune with organizational culture.
ETHICS OF PERFORMANCE APPRAISAL

In any performance appraisal, due consideration must be given to the ethics of appraisal, failing which many organizational problems may crop up and the very purpose of appraisal may be defeated. In this connection, M.S.Kellog has suggested the following do’s and don’ts:

Don’t appraise without knowing why the appraisal is needed;
1. Appraise on the basis of representative information.
2. Appraise on the basis of sufficient information;
3. Appraise on the basis of relevant information;
4. Be honest in your assessment of all the facts you have obtained;
5. Don’t write one thing and say another;
6. In offering an appraisal, make it plain that this is only your personal opinion of the facts as you see them;
7. Pass on appraisal information only to those who have good reason to want it;
8. Don’t imply the existence of an appraisal that has not been made;
9. Don’t accept another’s appraisal without knowing the basis on which it was made.

Kellog maintains that these “ethical standards are most certain to be met if appraisals are accomplished by such qualifiers as:

1. The fact on which an appraisal is based;
2. The time period covered;
3. The purpose for which an appraisal is made;
4. The situational factors which shed light on the facts presented;
5. The nature of the appraiser’s working relationship with the appraised; and
6. An explanation of how and where the facts were obtained.”

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This completes the chapter on performance appraisal and performance management. Developing sound performance system is a must and is certainly the challenge before HR professionals.

A sound appraisal system results into retention of talent on one hand and developing multi-skilled work force on other hand. In present complex scenario, sound appraisal system will enable the organizations to have trusted as stabilized work force. There is no full-stop to appraisal system at any point of time, as system is amenable from time to time

CONCLUSION

In present competitive World, it is necessary to have transparent and well laid down performance appraisal and reward system to retain talent and to establish satisfactory work force. Organizations are striving hard to gain competitive edge in markets and to be known as successful people organization. It is by this system organizations can aim for the same.

Performance management system is developed to create high performance culture that involves and inspires everyone. Performance management system is forging partnership with people for managing their careers.