The changes in the market scenario have necessitated the Indian industry to look inward for the development of human resources. If the Indian organizations are to develop and maintain their competitive edge, the potential value of the employees needs to be increased by enhancing and linking their skills and capabilities in tune with the contemporary requirements of the market. Barney (1991) felt that firms could develop strategic capability and, for attaining this, the strategic goal will be to create firms which are more intelligent and flexible than their competitors.

The human resource management function has emerged as one of the most important areas of organizational practice. It has been developed in isolation but rather in the context of industrial change and economic development. The uniqueness of human resource requires a totally different type of attention from management. The human resource function has the characteristics that provide greatest challenge as well as the opportunity. A company’s human resource is fragile, relationships are delicate, contributions are unpredictable, and stability is uncertain. The interface between the individual and the organization is critical to full utilization of human resources. The individual and the organization establish a “psychological contract”. The individual member expects to make contributions to the organization and receives certain rewards in return. The organization provides certain rewards and expects in return certain contributions from the individual. This interface can be effectively handled with the help of human resource planning, work analysis, career development, leadership, motivation, favorable organizational culture and appraisal-reward process. The appraisal processes were there right from the beginning of their inception in early 19th century, but the concept has been evolving by having various changes. These changes reveal that performance appraisal process and
management is a critical issue and continue to be so over the period. Most of the performance management systems are narrow in nature i.e., it was served the purposes like providing compensations and benefits to the employees of the organization.

The performance improvement process is a critical component of the strategic planning process, call it by any name, the process is very vital, and it has always been practised by many companies worldwide for a long time. Performance management systems are not as simple as it looks. There is no perfect system that can be adopted without modifications. There are many different processes appearing to be successful but in reality, they are not.

Even from the employees’ point of view, they say no-no to single-manager driven appraisal system. And most of the employees feel that form filling appraisals should dump as soon as possible. Most of the times, appraisals are manager evaluations or traditional performance review and manager ratings are inherently subjective. Subjectivity increases when appraisals are linked to financial incentives such as raises of merit pay. As far as Indian industry is concerned, there is growing concern towards increments which must be separated from appraisals. Further, in many situations money clouds the dialogue between manager and an employee. Managers are forced to become dishonest on the appraisals. Considering the above issues, Kaplan and Norton developed an innovative and multi-dimensional corporate performance scorecard known as the balanced score card. It compels the firm to align its performance measurement and control from the customer’s perspective, internal business processes, and learning and growth perspectives and investigate their impact on the financial indicators. There are arguments that the balanced score card should be ‘unbalanced’, based on the strategy followed by the firm. Even corporate experiences with the implementation of the balanced score card suggest mixed results. The
balanced score card focuses on the link between business processes and decision and results. The success of balanced score card or a similar device will depend on the clear identification of non-financial and financial variables and their accurate and objective measurement and linking the performance to rewards and penalties. Therefore, based on these assumptions and inputs, former HLL chairman M.S. Banga has given a comment on the evaluations systems process, “there is an easy look on the appraisal process, because good things get said, bad things, tough things remain unsaid”. Managers are focusing on performance as where employees are focusing on how much money comes into the pocket.”

Further, employee performance evaluations must define “what it wants”, but they are working as a sensible system in most of the organizations. From the employee point of view “there should be faith” on the system by the employees. The appraisal processes must not be narrow, but should reflect the relative weights of strategically, general and performance dimensions where each employee works to achieve both macro and micro congruence. However, this research is an attempt set an appraisal instrument to make a broad, structured, reliable and more congruence.