CHAPTER-1

INTRODUCTION

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1.1 OVERVIEW

Haryana state was formed on 1 November, 1966, on the recommendation of the Sardar Hukam Singh Parliamentary Committee. The formation of this committee was announced in the Parliament on 23 September 1965. On 23 April, 1966, acting on the recommendation of the Hukam Singh Committee, the Indian government set up the Shah Commission under the chairmanship of Justice J. C. Shah, to divide and set up the boundaries of Punjab and Haryana giving consideration to the language spoken by the people. The commission gave its report on 31 May, 1966. According to this report the ten districts of Hissar, Mahendragarh, Gurgaon, Rohtak, and Karnal were to be a part of the new state of Haryana. Further, the Tehsils of Jind (district Sangrur), Narwana (district Sangrur), Naraingarh, Ambala and Jagadhri were also to be included. The commission recommended that Tehsil Kharar (including Chandigarh) should be a part of Haryana.

The city of Chandigarh and a Punjabi speaking area of district Rupnagar were made a union territory serving as the capital of both Punjab and Haryana. According to the Rajiv-Longowal Accord, Chandigarh was to be transferred to the state of Punjab in 1986, but the transfer was delayed and it has not been executed so far. Also, at the same time, a Jangan-na was done in Abohar and Fazilka sub-divisions of Firozpur District of Punjab so that any Hindi speaking areas from these sub-divisions could be transferred to Haryana.

Haryana's economy relies on manufacturing, retailing and information outsourcing. In 2006-07 Haryana received a foreign direct investment projects of over Rs 11,000 crore in the state and corporate sector and had had a fiscal deficit of 0.6 per cent in financial year 2006-07 Haryana also topped the list in terms of per capita investment in the fiscal year 2007 with an investment of Rs 1,86,045 crore.
Haryana is also considered one of the most industrialized states in India with many SEZs. New plans for Sezs are of Reliance Industries which has plans to set up a multi-product special economic zone in Haryana. At an investment of Rs 40,000 crore, the project will be India's largest SEZ spread over 25,000 acres. The state has a developed banking system with over 4500 bank branches. The two financial hubs of Haryana, Gurgaon and Faridabad lie on the south west of the state. Haryana

Haryana's per capita income in the year 2001-2002 was Rs 14,331 (at constant prices 1993-94 base years) and Rs 23,742 (at current prices). The net state domestic product for the year 2001-2002 was Rs 28,655 crore (at constant prices 1993-94 base year) and Rs 47,474 crore (at current prices). Exports from Haryana in the year 2001-2002 were Rs 7,050 crore.

In recent years Haryana has emerged as one of the three most progressive states of India with an impressive trail of achievements in the field of Agriculture, Business, Tourism, Information Technology, Automobile Industry and overall development. Though small in terms of geographical spread, Haryana shares a common border with Delhi on three sides, with easy access to raw materials and commercial activities. The international airport, diplomatic enclave and business centers are a few minutes away. With 1.4 percent of the total area and less than 0.2 percent of the country's population, Haryana is one of the leading states in terms of per capita income. Haryana has provided electricity, Paved roads and safe drinking water to all its villages.

Haryana's economy has a significant agrarian component. Its annual food grain production is about 11.90 million tones and Oilseeds 6.70 lakh tones. Haryana is one of the largest contributors to the food grains pool of the Central Government, Cotton, Sugarcane and oilseeds are the main commercial crops which have triggered the growth of a number of agro-based industries. It has approximately 1,
Performance Appraisal Effectiveness is one of the most crucial, productive aspects of performance management for various decisions with regard to promotion, transfer, increment, training, and development. It is a periodic process of evaluating or assessing the efficiency and performance of employee in term of job requirement. A comprehensive, balanced and effective development oriented appraisal system is essential requirement for achieving high level of motivation and satisfaction among the members of an organization. Thus performance appraisal assists the organization in the achievement of its goal and objectives.

In an organization which employs people to achieve its task and objectives, the employees have to perform. It is a basic need of a human being who would like to know how he is performing, what his superiors think of him and his work, what his organization expects from him, how far he is contributing to the organizational goals and objectives, and if he is doing well, what rewards does he receive for his performance. The organization has to develop a system to find answers to these questions on the one hand and on the other it has the responsibility to identify the potential, strengths and weaknesses of its employees and accordingly develop them for their optimum utilization.

Appraisal of performance is an important tool in the hands of the superiors to assess their subordinates. It is a systematic evaluation of an employee by some other qualified person who is familiar with the employee’s performance. It is also an important prerogative in the hands of the seniors which the subordinate respects.
In view of the effectiveness of the performance appraisal (PA) system, it has always been one of the important areas of research. The different scholars have conducted a number of studies, aiming to measure the effectiveness dimension of PA systems across different industries and contexts. The present study also broadly aims to study the effectiveness of PA systems in the selected organizations of Yamuna Nagar District of Haryana state.

1.2 - ABOUT THE SELECTED CASES

The present study aims to study the PA system in three large-scale manufacturing organizations of Yamuna Nagar district in Haryana. Haryana is a state in northern India. Haryana state was formed on 1 November, 1966. Haryana is a small state in north India. It has a total of 81 cities and towns. It has 6,759 villages. For administrative purpose the state is divided into four divisions - Ambala, Rohtak, Gurgaon and Hissar. There are 19 districts, 47 sub-divisions, 67 tehsils, 45 sub- tehsils and 116 blocks. Haryana's economy relies on manufacturing, retailing and information outsourcing. In 2006-07 Haryana received a foreign direct investment projects of over Rs 11,000 crore in the state and corporate sector and had had a fiscal deficit of 0.6 per cent in financial year 2006-07 Haryana also toped the list in terms of per capita investment in the fiscal year 2007 with an investment of Rs 1,86,045 crore. Haryana is also considered one of the most industrialized states in India with many SEZs. New plans for Sezs are of Reliance Industries which has plans to set up a multi-product special economic zone in Haryana. In recent years Haryana has emerged as one of the three most progressive states of India with an impressive trail of achievements in the field of Agriculture, Business, Tourism, Information Technology, Automobile Industry and overall development.
The following organizations were selected for the purpose of the study;

**Indian Sugar and General Engineering Corporation (ISGEC):**

This group is called **The Saraswati Industrial Syndicate Limited. (SIS).** It was started in 1933 with establishment of Saraswati Sugar mills which incidentally now happens to be one of the biggest in the country with a cane crushing capacity of above 10,000 TDP. Over the years, three more units namely The Indian Sugar and General Engineering Corporation (ISGEC), ISGEC John Thompson (IJT)an UP steels were added. Today, the group has a turnover exceeding Rs.350 Crores. The group employees over 5000 people which include engineers, technicians and skilled craftsmen. Many of the engineers have undertaken advanced training in the U.K, U.S.A, Italy. Canada, Australia, Germany, and Russia.

**Yamuna Gases and Chemicals Limited (YGCL):**

Yamuna gases and chemical limited an ISO 9001 certified company was incorporated in 1973, as an Oxygen bottling plant. It then diversified into the manufacturing of power distribution accessories with resin cast cable jointing systems up to 36KV of power distribution. YGCL access in his venture provided the platform to add wide range of power distribution accessories like EPDM based pre-molded joints and shrinkable jointing systems under the brand name 'Densons'. Today YGCL employs over 450 skilled personnel with various offices across India.
3. **Ballarpur Industries Limited (BILT):**

Ballarpur Industries Limited an ISO 9001: 14001 certified company Ballarpur Industries Limited (BILT) is India's largest manufacturer of writing and printing (W&P) paper. BILT's subsidiaries include Sabah Forest Industries (SFI), Malaysia's largest pulp and paper company, and BILT Tree Tech Limited (BTTL), which runs BILT's farm forestry programme in several states in India. BILT has six manufacturing units across India, which give the company geographic coverage over most of the domestic market. BILT has a dominant share of the high-end coated paper segment in India. The company accounts for over 50% of the coated wood-free paper market, an impressive 85% of the bond paper market and nearly 45% of the high-bright Maplitho market, besides being India's largest exporter of coated paper. BILT's acquisition of SFI in 2007 was a watershed event – it was the first overseas acquisition by an Indian paper company, it transformed BILT into a major regional player, and elevated BILT's ranking among the global top 100. Today BILT total strength is 1700 with a combination skilled & semi skilled employees.

1.3 **BACKGROUND OF THE RESEARCH PROBLEM**

The history of performance appraisal system can be traced back to as early as the third century A.D. It is believed that formal appraisal of an individuals performance began in Wei dynasty (A.D.221-265) in China with an Imperial ratter appraising the performance of members of the official family.

People also believe that the performance appraisal system was probably started with the east India Company that started to keep some kind of record in the form of confidential roll (C.R.); government organisations still continue to have the word C.R. for the confidential report of their employees.
Employee evaluation or appraisal techniques are believed to be first used during World War I when, at the instance of Walter D. Scott, the U.S. Army adopted the man to man rating system for evaluating military personnel. Subsequently, during the 1920s, the adopted policy was of giving grade wage increments to hourly paid workers in industrial units on the basis of merit. After 1950, attention was drawn towards the performance appraisal of professional, technical and managerial personnel. Performance appraisal philosophy witnessed drastic changes in recent years. Now the personnel appraisal on the development of the development of the individual and evaluates professional, technical and managerial employees. On the other hand, merit rating—the older term—is restricted to a large extent to the evaluation of hourly paid employees and is used quite often for developing the criteria for wage adjustments, promotions, transfers, etc. At present, it is a common practice to use the term ‘performance appraisal’ instead of any other terminology.

As far as the use of appraisal system for managerial personnel in Indian industries is concerned, researches reveal that Union carbide had such a system in operation as far back as 1940. The Tata Iron and Steel Company (TISCO) and Volta’s introduced such systems in 1953 and 1954 respectively. Public enterprises which were established after independence had a confidential reporting system almost from their very inception and this was an extension of the government practice in respect of civil servants. During last 5 decades, the practice of performance appraisal has been adopted by almost all the organized groups, irrespective of nature, business, geography or culture.

However, the implementation of the appraisal system pose a big challenge for HR managers as it requires a careful consideration of number of relevant factors. In view of the vital importance of the function, many scholars have studied the different dimensions of the
performance appraisal system (Bayroff and Haggerty, 1954; Niazi, 1976; Terence, 1978; Rao, 1984; Alan et. al., 1985; Mazumdar and Narayan, 2005; Raju and Jena, 2006). The literature review shows that in order to make the system effective its acceptance in terms of the behavioural factors must be studied across the context, where it is being applied.

1.4 PROBLEM STATEMENT

The general purpose of reviewing the related study is to develop a thorough understanding and insight into the work already done and areas left untouched or unexplored.

Review of literature reveals that a large number of researches have been conducted on performance appraisal system in India. However, only few researches conducted so far on the PAS of the heavy engineering industries. Performance appraisal system requires a lot of improvement and awareness among the employees at heavy engineering industrial units of Haryana. It reveals that there still exists a need to highlight some of the aspects of performance appraisal. There is still need of comprehensive, balanced and effective development oriented appraisal system as an essential requirement for achieving a high level of motivation and satisfaction among the members of the organization. Hence a research on the problem “A Study of Performance Appraisal Effectiveness in large Scale Industrial Units of Yamuna Nagar” has been taken.

This study will examine the effectiveness of performance appraisal system for the various HRM decision like incentives, promotions, wages, transfer, training and development. This research is regarding various types of appraisal systems adopted by various industrial units selected for research.
1.5 OBJECTIVES OF THE STUDY

The following are the aims and objectives of the study:

- To critically evaluate the existing performance appraisal system in Indian industries.

- To study the difference in the methods applied by the large scale industries in Yamuna Nagar.

- To study which traits/attributes are given more importance by appraisers while appraising the performance of lower and high level staff also to study which traits/attributes should be given more importance according to appraisees.

- To study how successfully the self-appraisal and MBO system is working.

- To study the reaction of employees to the performance appraisal system.

- To study how far the decisions regarding promotion, transfers, increments, identification of training needs and selection of executives for meritorious service depend upon the result of performance appraisal.

- To study the influence of personnel bias and leniency on appraisal.

- To understand the perception of employees towards the performance appraisal method employed by the industries.

- To study the relationship between the performance appraisal method & employee career growth.
1.6 HYPOTHESIS OF THE STUDY

The following are the main hypothesis of the study;

- 'Work Knowledge' is given priority by both the appraisers and appraisees as compared to other traits/attributes while appraising performance.

- Personnel relationship of appraiser with appraisees influences the rating.

- Self-appraisal is a causative factor of leniency in rating.

- 'Negative feedback' is a causative factor of 'Job dissatisfaction'.

- Performance appraisal is a causative factor of improving the present performance of employees.

- Increment decisions are mostly based on performance appraisal results.

1.7 SIGNIFICANCE OF THE STUDY

The main significance of the study is to examine the negative aspects of the present systems and to suggest methods for the improvement in the existing system with introduction of improved appraisal system.

Taking into account the effectiveness of the performance appraisal in the large scale industrial units in Yamuna Nagar, the research undertakes the study on it under the topic "Performance
Survey of literature on various aspects of the subject reveals that there is still exists a need to highlight some of the aspects of the performance appraisal. The effectiveness of performance appraisal is being increasingly realized in industrial and service organizations both in India and abroad. A great deal of knowledge available in this regard is found in research results abroad. Indian researches are rather few; a few of these are not published as companies conduct them for internal consumption.

This study examines the effectiveness of performance appraisal system for the various HRM decision like incentives, promotions, wages, transfer, training and development. This research is regarding various types of appraisal systems adopted by various industrial units selected for research.

1.8 SCOPE OF THE STUDY

The focal point of this study is to examine the performance appraisal system in various selected large scale industrial units in Yamuna Nagar District. Systematic appraisal systems are very necessary in organisation especially with large structures which are diverse staff functions and which are seriously concerned about management development.

Present study attempts to sketch a picture of the performance appraisal of selected industrial Units. The study attempts to critically examine and compare the various aspects of performance appraisal system of selected companies.
The study attempts to find importance given by appraisers to various traits/attributes while appraising the performance of lower and high level staff and also study which traits/attributes should be given more importance according to appraisees.

The study attempts to examine the working of self-appraisal, feedback and MBO system. The influence of personal bias and leniency in appraisal system is also examined in the study. The study also highlights the various decisions regarding promotion, transfers, increments, identification of training needs and selection of executives for meritorious service depend upon the result of performance appraisal.

1.9 LIMITATIONS OF THE STUDY

- The study mainly depends on primary and secondary data published in annual reports and other literature of selected units.

- The opinions expressed by various human resource department heads and other personal interview were their own opinion.

- The period of study is only 2007 to 2010.

- Only published data and data collected through interviews and discussions were analysed and interpreted.

- The researcher did not have any access to the internal records of the day-to-day working of the companies.

- During interview a general feeling of suspicion and hesitation among management people and workers to provide required information.
References:


