# Chapter VII

FINDINGS,

CONCLUSIONS

&

SUGGESTIONS

FINDINGS

In order to study the nature and growth of IT industry, the researcher has studied secondary published data and presented the information in Chapter 4 of this thesis. Some salient observations about the IT Industry in relation to the present study can be enumerated as:

- The Industry has generated large scale employment opportunities in the past but the employment opportunities have stabilized for want of specialized knowledge. It still has a high demand for technical professionals with varied skills.

- The Industry is facing the challenge of high Attrition ranging between 15-25% in spite of high salaries.

- In relation to Pune's IT Industry, a dominance of IT services and BPO companies is observed especially catering to the already existing automobile companies. Further, the present trend is seen favouring establishment of startups as compared to IT Services and BPO companies.

- Pune's IT industry has an advantage of many associations like National Association for Software Services and Companies (NASSCOM) ; Software Export Association of Pune (SEAP); Software Technology Park of India (STPI); Hinjewadi Industries Association (HIA); The Indus Entrepreneurs (TiE); Mahratta Chamber of Commerce, Industries and Agriculture (MCCIA); Pune Open Coffee Club; Pune Connect that are helping in establishment, management and development of IT companies.

Figure 7.1: Associations contributing in development of I.T. Industry in Pune
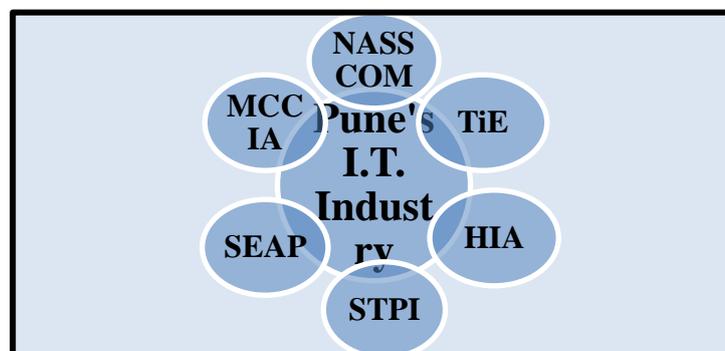
- There is a dearth of middle and senior managers in Pune which helps to conclude that the IT Industry of Pune in specific needs HR practices aiming to develop human resources.

- HR practice like the Performance Appraisal System aims to assess the performance of the managers. In the team based work culture of IT companies, it is not only significant for the managers to meet financial targets but also demonstrate certain competencies in order to be good performer. PAS hence has a potential to identify development needs which incidentally becomes the first step towards leadership development in managers of IT companies. The data collected and analysed by the researcher regarding PAS of select IT companies in Pune found that:

I. **A.** Maximum numbers of professional degree holders [Engineering Graduates] are holding managerial positions in the sample I.T. companies. The number of managerial positions at senior management level reduces requiring managers with increased experience. The team leaders and Project leaders are managerial positions responsible to coordinate the efforts of a group of people to achieve targets.

I. **B. Performance related information:**

In the I.T companies,

➢ Task Association of managers is highly interdependent and managerial positions require decision making ability which in turn influences interrelationships.

➢ Task reporting patterns are frequent which suggest continuous upward reporting and is based on employee level and project stage in the organization.

➢ Task fulfillment (performance efficiency) depends on two parameters: Employee related and Company related parameters.

- On employee related parameters, Managers support a system of continuous assessment as they believe it increases performance. Further, Professional management qualification and formal education is perceived to enhance performance and their decision making ability.

- On company related parameters, Managers feel, Training inputs are essential for performance efficiency and report that their companies are providing adequate technical, soft and management skills training. The Sample I.T. companies show preference towards combination of methods (On the job and Off the job) for training. Training is also seen as positively influencing all aspects of employee performance such as Skill improvement, Knowledge Management and Attitude Change.

In the IT sector, which faces fast changes in technology, the managers feel that training provides them opportunities for upgrading their job knowledge and it can be evidenced that I.T. companies are providing some kind of training to the managerial employees in their organization. An increasing trend of the IT companies towards combined modes of training initiatives is seen. This may be to relieve the managers from their day to day hassles while undergoing the training. This performance related information is observed as metrics considered in the Performance Appraisal System.

II. **Performance Appraisal System and its impact on Employee Behavior :**

The PAS includes various steps from setting performance standards to feedback on performance. The findings on each of the step of the PAS are:

1. **Performance Standards:** In the sample organizations,
   - The parameters for performance evaluation purpose are found associated with the manager's present performance expectations by major managers but in some companies it needs improvement.
   - Majority managers feel that procedure of setting performance standards is balanced and also feel that setting appropriate performance indicators is the first step towards improving the employee performance.
   - The manager's favour setting of performance parameters by seniors. for them depicts their agreement towards following hierarchy in deciding performance standards.

2. **Goal Setting:**
   - The I.T. organizations believe in the philosophy of 'Goal oriented performance'.

➢ The goal setting procedure is at senior level which flows down to each individual as his target.

➢ Goals are set Business Unit wise that cascade down to the managerial employee

➢ 'Industry growth' and 'Potential of the business unit' become considerations in deciding the individual goals of the managers; which demonstrates dominance of financial results over behavioral considerations but Role competencies are also becoming significant consideration while setting goals.

➢ Goal setting emerges as a critical step in PAS towards influencing employee behavior as it influences the satisfaction; motivational and efficiency levels when results and behaviors are assessed based on targets set.

- Managers approve of continuous follow up on targets as they feel it motivates employees. Half of the Managers do not feel continuous follow up and review on targets develops a feeling of inferiority and leads to employee turnover.

- The sample IT companies are allowing freedom to managers to review or reset goals under changing circumstances. The changes may be organization specific or employee specific. Half of the managers feel that review or reset of goals on their account brings embarrassment and insecurity to them which are negative influences of resetting the goals. It can be noted that, when the goals reviewed for employee specific, reasons may cause embarrassment and feeling of insecurity otherwise review and resetting due to organization specific reasons may not have negative influences.

3. **Assessment:**

➢ In the sample IT companies, assessment of results as well as behavior are a part of 'Performance assessment'.

➢ All the sample companies are using technology for effective; convenient and fast performance assessment.

➢ Only One third of respondents feel their company is giving importance to assessment of both results and behavior. On the other hand, almost two third managers feel that their organization should assess both results and

behavior which shows their concern for contextual assessment and self development.

➢ As compared to 60% managers who view use of performance assessment for employee development only 13.33% of the managers report that in actual their organization is using performance assessment for employee development.

➢ **Effectiveness of the assessment process reveals:**

• Sample IT companies are clear in communicating the purpose of performance assessment to employees and focus only on achieving those objectives during assessment.

• '**Industry best practices**' become the base to set norms for the assessment of performance which shows the trend of these companies to stay in tune with the current practices in their industry.

• Superior assessing Subordinate appears to be the most popular authority for performance assessment. The argument in favour of this is the daily interaction and opportunity for observing employees' behavior.

• Review of assessment majorly by L+1 manager indicates an attempt of these companies to iron out personal biases which positively affects employee behavior.

• The impact of performance assessment on employee behavior is found to be varied. The varied responses are indicative of their personal experiences during assessment. It is observed that almost half of the managers believed that performance assessment in their organization was influencing employees positively.

4. **Feedback:**

➢ The sample IT companies are gathering employee opinions on assessment procedure implemented in their organization.

➢ The companies are using feedback system to facilitate behavioral change initiatives. The use of feedback to facilitate structural changes like competencies to be assessed may improve employee performance and benefit the organization as well as employees.

➢ The companies have a practice of documenting and personally sharing results of assessment which supports the culture of transparency. Feedback

aimed at performance improvement and change in behavior must be personal and transparent.

➢ Feedback on performance improvement suggestions is also documented which further indicates culture of follow up. The suggestions related to performance improvement are accepted with resistance by the managers.

5. **Impact of PAS**

➢ Overall impact of PAS shows a trend towards use of PAS data for administrative purpose over development purpose.

➢ Two-third managers agree that their PAS creates awareness about leadership traits.

III. Relationship between Leadership Development and Performance Appraisal System

1. **Leadership**
   a. **Leadership Concept:**

➢ As regards leadership function, the manager respondents of sample IT organizations show varied preference for the right leadership function in their organization. Their choices indicate the aspects considered important for leadership at each level of management in the respective IT companies. An attempt to increase this awareness can be taken by the IT companies by including these functions as competencies in the PAS.

➢ One third managers show awareness about multiple constituents of leadership and only one fifth of managers find 'Emotional stability' as important constituent of an effective leader. This indicates that managers have limited awareness about what is expected of them as a leader manager.

➢ As regards demonstrating leadership behavior, One third managers find 'Technical and functional expertise' as significant determinant of leadership whereas 'self awareness' and 'effective communication' have been ranked least by managers. This indicates the least significance attached to 'self awareness' and 'effective communication' which are very important while managers are taking up leadership positions.

b. **Leadership Development:** The findings on the three aspects of leadership development process are :

➤ Considerations for leadership development:

- Two-third of managers report that LD in their companies is done for succession planning and competency building. This indicates the objective of LD and expectations of these companies from their managers as they move up in the organization ladder.

➤ Effectiveness of Leadership Development initiatives:

- Two-third of managers agree that leadership development initiatives in their companies are effective but only one third identify 'Building Leadership pipeline, Employee development and Business Growth' all as the strength of the LD initiatives. This indicates that managers perceive the LD initiatives in their companies as holistic but the purpose of LD varies among the sample companies.

➤ Parameters contributing to Leadership development:

In the sample IT companies, since the purpose of LD may be different, the parameters that contribute to LD needed to be studied. The parameters that contribute to LD include: Input systems; identifying traits and developing leadership. The data analysis on these parameters indicate:

↓ Input Systems:

- Two-Third of manager's give maximum weightage to Competency assessment in PAS generating input data for LD.

↓ Identify effective leadership traits:

- The data analysis further indicates 60% of managers reported that PAS is used to identify effective leadership traits which show preferential use of PAS to identify leadership traits in managers over other methods.

↓ Developing leadership:

- Majority of managers have reported that 'identifying development needs' is most crucial phase in LD.

The researcher's claim about the strong linkage between customized performance appraisal and leadership development is justified here.

2. **Aspects of the Performance Appraisal considered for development of leadership:**

   ➢ Feedback on 'Results achieved' vis a vis 'Results expected' is found as major aspect for LD. Managers achieving good results are identified as good performers and get opportunity to be developed into leaders. Feedback on behavior is also observed to be gaining significance in sample IT companies which establishes that it is not only important 'what' is achieved but also 'how' it has been achieved.

   Linking PAS with Leadership Development

   ➢ The sample I.T. companies are assessing leadership abilities based on the manager's management level. This indicates that companies are supporting/ encouraging functional and behavioral leadership in first time managers. As the management level changes, values leadership also gains significance. The least percentage of managers reporting assessment of all types of leadership abilities suggests its relation with the C-Suite leaders.

   ➢ The companies are trying to develop transformational leadership in their managers. The percentage indicates that senior managers are expected to demonstrate the characteristics of transformational leader where as first time managers are assessed for 'compliance and conformance'.

   ➢ 'Competency frameworks' in the PAS are becoming popular mechanisms to communicate and assess behavioral expectations from managers in mid-sized I.T. companies. Such competency models are prevalent in large IT companies. As the size of the mid-sized company's increases, mechanisms that are convenient become popular and those requiring personal judgment and observation of assessor become less preferred. The 'Ability of a manager to identify problems' does not appear to be a popular mechanism of assessing 'Analytical skills and Critical thinking' which is significant for IT professionals.

3. **Leadership Development Program (LDP) in sample IT Organizations:**

   ➢ The managers majoritily report existence of defined LDP which establishes the significance attached to LD by these companies.

➢ Training is still a major content of LDP for development of managers in the sample I.T. companies. This must be because training provides learning opportunity to large number of managers at a time and proves economical.

➢ Action learning i.e. experiential learning or learning by doing is only preferred by companies for middle and senior level managers. Attitude workshops are also preferred by companies as behavioral competencies are gaining significance as a part of performance in these companies.

➢ In house training is most popular mode of development for managers. After which, Coaching and mentoring is reported as most preferred mode. Coaching method helps a lot while providing feedback in the continuous performance assessment system. Management Development Programs find use for high performance and potential managers as it involves huge investment and concerns regarding returns on such investment.

CONCLUSION

The I.T. industry in India is facing a challenge of decreasing IT spending/budget allotments by clients demanding more value at less costs. Hence, these companies are exploring different geographies for business opportunities other than US and UK.

Even though it is the highest employment generator, the industry has reached an inflexion point where the linearity in revenues from the model 'increased employee, increased revenue' is no more lucrative on the background of automation of many repetitive jobs in the industry. Employees in the IT sector are attracted towards the global opportunities but are not showing inclination to take up jobs of projects in geographies other than US and UK.

The IT industry of Maharashtra had exports worth Rs. 5500 crores in 2003 which increased to 50,000 crores in 2013 which shows a 10 times increase. Maharashtra recorded exports of Rs. 63,000 crores in 2014-15 as compared to Bangalore with 100,000 crores as per STPI. There are 350 units registered in Pune with the STPI. The Maharashtra IT policy 2015 aims to make Maharashtra most preferred destination for IT services and investment. It is disheartening to see that not a single new IT park has been established since 2010 after establishment of Hinjewadi IT park and Magarpatta IT park [under IT policy 2003]

Pune's IT industry is second in terms of software exports from India and first in case of total exports from Maharashtra. The I.T. industry in Pune is observed to have matured as compared to the first decade of the new millennium with reduced hiring at middle levels. Pune also currently faces challenges related to infrastructure, lack of educational institutes like I.I.T and I.I.M which is adversely affecting investment of global companies [Google going to Hyderabad, Gujarat emerging as a competitive state attracting investment in the I.T. sector]. NASSCOM and MCCIA are associations positively supporting the startup culture in Pune. The new I.T. policy (2015) under the new government is aspiring to bring some lucrative policies and initiatives for the industry. The political support to attract the I.T. companies is a critical factor for success of this industry in Pune.

The human resource (HR) function in I.T. companies has transformed as a strategic function. HR is participating in designing, implementing and evaluating strategic practices that intend to optimize organizational and individual performance to add value to their organizations. PAS or PM is such an HR practice that is strategically linked to organizational sustainability. As a result, performance management models of continuous nature are getting promoted. Companies are designing and implementing competency frameworks to communicate performance expectations from their employees at different levels. These competency frameworks reinstate the behaviors expected to be demonstrated by the managers and aim to identify areas of improvement. In the past, the culture and processes of these I.T. companies have increasingly found it difficult to keep pace with the growth pace of the companies. In a race to achieve volumes, revenues and visibility companies have ignored the significance of employee development to build a true value. Further, The aspiration to grow and dearth of good talent were factors that resulted in fast tracking the managers in the I.T. industry without necessary development efforts.

Indisputably, in today's **VUCA** [201] situations, talent is an area of focus for the IT industry. The HR professionals are trying to have an in-depth understanding of critical talent related issues like people motivation, culture building, creation of performance culture, analyzing reasons for attrition and evaluation of employee development programs. It is found that aligning and integrating HR practices is associated with a 7.5% decrease in employee turnover.

HR practices like the PAS are increasingly becoming sophisticated but adoption of sophisticated systems is not sufficient rather modifying them to 'fit' local requirements is necessary. As noted by **DeNisi et al. (2008)**[202] "Visitors in India will find that McDonalds don't sell hamburgers but indianization of it in the form of vegetable burgers" .The mid- sized companies aspiring to become large companies will have large number of employees and PAS in such companies is seen to have a bell curve approach or force fitting employees for identifying high performers which is detested by employees. Use of a performance curve instead of bell curve where

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[201] Volatility, Uncertainty, Complexity and Ambiguity
[202] DeNisi, A.S., Verma, A. and Budhwar, P.S. (2008) ' Performance management around the globe: what have we learnt?' in A. Verma, P.S. Budhwar and A.S. DeNisi(eds). Performance Management Systems: A Global Perspective. Global HRM Series, London: Routledge

employees are not compared against each other rather identify and develop skills potential high performers etc. will fulfill the development purpose of PAS. In the times of everything instant, the PAS also should aim at becoming 'INSTAPPRAISAL'.

The researcher draws the following conclusions from the present study:

➢ The manager's favour setting of performance standards by seniors for them which depicts their agreement towards following hierarchy in deciding performance standards.

➢ Similarly, the goal setting procedure also indicates the hierarchy system in the IT companies and no opportunity to managers to participate in deciding their individual goals.

➢ The sample companies show a trend of continuous follow up on targets which is perceived to be positively affecting the managers. It may be concluded that continuous follow up on targets affects positively if employee is a good performer but employees who are not able to perform up to the expectations, feel inferior and may even leave the company.

➢ The continuous follow up on behavior targets should also be exercised by managers and feedback should be recorded to reinstate the desired behavior.

➢ Use of customized software's as assessment tool demonstrates that companies are getting their PA systems designed to suit their organizational vision, mission and values and reflects company's philosophy to assess employees' behavior in relation to organization's vision, mission and values.

➢ In the changing market scenario, increasingly the companies are providing opportunity to their employees in designing and implementing assessment methods. But appear to be giving importance to assessing results over behavior. This shows less concern for behaviors and their development. It is known that maintaining balance approach of assessment of results and behavior competencies satisfies administrative as well as development purposes.

➢ The feedback system is found transparent but the suggestions of performance improvement by assessors are accepted with resistance. The researcher concludes that even though the team based culture in IT companies has interdependencies and expects them to collaborate & accept suggestions for better performance, still the nature of employees to have autonomy in work leads to the resistance. This

resistance can be reduced by implementing a system of frequent 'check -ins' and real time feedback.

➢ One reason that can be attributed to limited use of critical incident method may be the virtual job nature where assessor may not have an opportunity to observe behaviors in critical situations.

➢ The use of multisource feedback and potential appraisal is limited. This can be attributed to cost and time considerations involved in using these systems. Companies may be using it for senior managers but not for first time managers.

The researcher concludes that collaborative setting of performance standards and goals; appraising performance to facilitate learning and development and instant recognition are key elements in PAS which will contribute to employee development. This will link PAS with the long term development purpose satisfactorily. Further, PAS should look at assessing managers on current strategies and business issues which will make it relevant and enabling for LD programs.

Contemporary companies are extensively investing in various employee development initiatives to develop the desired competencies and behaviors. But they also face the challenge regarding whom should the responsibility of manager development be pinned: The Superior, Employee himself/ herself, Organization or HR? Senior Managers tend to become 'psychopaths' when they demonstrate "short termism" by focusing on meeting targets (numbers) at the cost of people and empathy, conscience, honesty and trustworthiness. If line managers are held responsible to develop their subordinates, they face difficulties like unawareness about HR issues. It can be concluded that training the line managers on HR issues becomes a key factor to equip them in these responsibilities.

As regards the awareness about leadership concept and LD process in the managers, the researcher concludes:

➢ The managers demonstrate limited awareness about leadership concept and leadership behavior. 'Emotional stability' is not perceived as a significant constituent of leadership by majority managers. Further, Self Awareness and effective communication are not considered important by the managers. In the I.T. companies, if managers have to become leaders, these behavioral traits are

very significant. The researcher feels leadership development is possible only when managers become aware of the behavioral competencies of their role.

➢ In the sample I.T. companies, the objective of LD is 'Succession planning and Competency building' which appears holistic but purpose of LD varies among the sample companies.

There is a need to promote practices that support manager development. PAS is such a practice that can support managers to become 'People managers'. To conclude on link between PAS and LD:

➢ Competency assessment in PAS generates input data for LD in the sample companies. Identifying development needs is critical to LD and PAS is preferred system to identify leadership traits in managers.

➢ 'Feedback on results' is the aspect in the PAS considered for LD. The researcher feels feedback on behavior and training needs identified should be important aspects of PAS for LD.

➢ All types of leadership do not get assessed as a part of PAS for all levels of managers. Values are assessed for senior leaders whereas for first time managers behavioral and functional leadership is assessed.

➢ Embedding leadership development as a continuous process in the company culture and strategies will ensure significance to the PAS as a tool to identify development needs.

<div align="center">SUGGESTIONS:</div>

The researcher proposes suggestions to the sample companies as well as HR departments:

A. <u>SUGGESTIONS TO THE SAMPLE I.T.COMPANIES:</u>

I.   **General Suggestions:**

1.   The companies need to have a people development approach over revenue generation approach to ensure retention of critical resource to competition. Failure to internally develop people cannot have any external solution.

2.   The companies may look for integrating human capital reporting in the annual reports to prove the economic value of employee development. This will put on record, how performance management is benefiting the company's bottom line.

3.   The Companies need to align their HR strategy with their competitive status (Inception stage, Growth stage or Maturity stage). Further, the approach of their PAS must be contingent on their competitive status and changes should be made according to these stages.

4.   Companies may also benefit by looking at replicating and implementing specific interventions that have been successful at global companies (global best practices) instead of generic initiatives. But the only caveat would be 'think global but act local'

5.   HR practices like PAS should be integrated with training facilities at 'Corporate Universities' of companies as PAS will facilitate training needs assessment and provide inputs to design content of training and development programs.

6.   Companies can embrace/ adopt crowd-sourcing of ideas from employees in designing their PAS as well as the LD initiatives to get multiple perspectives and employee buy in. This will make PAS a 'need to have' practice from a 'good to have practice'.

7. The sample companies may look into PCMM certification for implementing mature people practices.

8. Support may be seeked from NASSCOM (Industry association) through a platform for various sectors in the I.T. Industry to support the development of I.T. personnel of these companies.

9. The human resource development policies and procedures need to be evaluated for reorienting them towards superior employer-employee relationship in the globalised environment to optimize the worth of people; get synergies and maximize customer value.

10. When introducing a planned LD Programme, companies may calculate ROTI (Return on Talent Investment) to measure the benefits of the program in actual terms.

11. LD programs must focus on developing the development oriented leadership. Companies need to focus internally and clearly indicate the intent to develop the employees as the participants of MDP may create challenges by expecting immediate career opportunities.

12. Companies may initiate a trend towards Collaborative goal setting and Real time feedback to employees immediately after any project/engagement to identify areas of development and continuous learning. This will encourage the managers to be more risk taking, innovative and collaborative.

13. The real time employee feedback will lead to frequent ongoing conversations between managers and their team members. For example, the RPG group has introduced an online tool called 'Critical Incident Diary' as a part of Performance appraisal system for real time feedback. Here, employee and manager can fill up as and when any situation, action or incident is handled. The diary can be viewed by both manager and employee but comments cannot be edited. This tool helps to remove the recency effect.

II. Specific Suggestions:

a. Companies need to separate the evaluative and development uses as the PAS affects the employee attitudes and behavioral intentions. Removing the evaluative role from the immediate supervisor and including accountability of subordinate development may improve awareness about development and increase employees' satisfaction with PAS. The evaluative role can be with

[L+1 Supervisor] to positively affect employee attitudes about result assessments.

b. The select organizations have performance improvement strategy and have an appraisal system that evaluates results and behaviours at the same time. The researcher suggests maintaining time gap between the two assessments and evaluating behaviors independently to identify developmental needs to build trust in the system. 'Separation of timing' for performance discussions and salary increase may be between 2-4 weeks which is expected to provide a balance between the evaluative and development purposes altogether.

c. In the PAS of the sample IT companies, a mid way between KRA based and MBO based goal setting can be implemented for involving employees to understand how their individual goals contribute towards achieving organizational goals. The researcher feels that role competencies should also be an important constituent in goal setting for a manager as it communicates the necessary behavioral expectations from the manager.

d. In the sample IT companies, a panel (including Superior and Peers) would provide better insights while assessing managers' behavioral competencies as compared to immediate superior.

e. The companies can look at redefining their objectives of assessment towards employee development to focus on achieving employee development. For this, the companies may look at creating an online repository to capture interactions between managers and employees and skill sets.

f. In the sample I.T. companies, PAS has the potential of indicating about managers' leadership potential as well as identifying their leadership development needs. Further, it can be used to facilitate line managers and HR department to develop programs and interventions to enhance their leadership competencies or build skills. To increase effectiveness of PAS for Leadership Development, the process should look at ensuring integration of performance evaluation with professional development for 'high potential employees'.

g. The sample companies can look at implementing and using a Performance and Potential Matrix as seen in MNC's. These companies can appoint a business manager to take strong stand on management development which will foster the culture of challenging the short termism approach.

h. Sample I.T companies should have a continuous process of organization development and succession planning in place to ensure development of managerial leadership. Any manager getting appraised as 'good' without any of his team members being developed indicates a need to review the present PAS. [Peter Drucker advised his clients not to promote a manager till he developed his successor]

B. SUGGESTIONS TO THE HR DEPARTMENTS:

I.   General Suggestions:

1. HR in the sample companies need to take efforts to add value and play an enabling role that will help the employees realize their potential without any threat. HR managers may look at involving each employee in making decisions which affect their area of expertise which will result in the employee feeling that they "have a say" in what goes on in the organization and generate trust in the PAS.

2. HR needs to recognize their role as a guide. Reorganizing the management review panels is expected to provide the necessary boost to manage the long term development agenda and make the process effective.

3. HR managers may reiterate to line managers their role in helping their team members' development.

4. Developing and utilizing managers (appraisers) coaching skills will significantly assist in identifying and designing improvement plan and development initiatives. The coaching model of appraisal supports personal touch in spite of having hi-tech facilities for communication.

5. Incorporating leadership development responsibilities into managerial job expectations and performance appraisal criteria are effective means of ensuring that it is a top priority among managers at all levels.

6. HR may make use of online reviews (Ex: Glass door reviews) about their company to analyse and evaluate satisfaction with HR practices.

II. Specific Suggestions:

a. Managers can be encouraged by HR not only to set goals but also to create metrics that help employees track their progress toward meeting those goals.

b. Goals should not only be **SMART** but should be **CLEAR**. This means that goals should be: **Collaborative -** goals should encourage employees to work together in teams; **Limited;**- goals should be limited in both scope and duration; **Emotional;**- goals should make an emotional connection to employees to tap into their energy and passion; **Appreciable** - goals should be broken into smaller targets to be accomplished quickly and easily; **Refinable** - goals can be refined or modified under new situations

c. HR can look at assessment of 'Potential of managers' can through 'Assessment Centers', popularly used in western and Indian MNC's. but its establishment requires a huge on the part of the companies. The mid sized companies may be find investment in assessment centers discouraging on account of huge costs. A potential solution would be that one of these IT organizations may develop an assessment center that serves the purpose of others too to avoid the cost implications. Alternatively, the IT companies may jointly invest in such facilities to optimize the cost.

d. Another probable solution to get the benefits of assessment centers at reduced expenses would be to outsource such assessment to experts and consultants.

e. Taking into consideration the global work nature of managers in IT companies, a simulation test to assess cultural intelligence [a person's capability to function effectively in situations characterized by cultural differences] as a part of PAS can facilitate behavioral development of managers already having experience; cognitive ability and personal characteristics to support leader development. For example: The intercultural situational judgment test (iSJT).

f. The departments not having well instituted feedback mechanism can look to establish such a system in these departments.

g. HR needs to encourage managers to take the feedforward approach rather than feedback approach to foster 'Performance achievement'. The feedforward approach holistically views performance and potential to guide career progression and rewards decision. In this approach, managers as leaders coach

employees through real time, forward looking conversations related to setting priorities; growing individual strength and creating career opportunities. This approach empowers Team leaders/ Project leaders to make effective conversations with team members.

C. Suggestions for improving contribution of Performance Appraisal System towards Leadership Development:

a. PAS can positively impact the organization and management reviews in identifying high potential employees/ incumbents for key role and support their development planning.

b. Performance Appraisal System can serve as an input to succession planning by identifying employees with specific competencies that the organization knows it will need in the future due to turnover and retirement.

c. The PAS may be designed to measure certain metrics like, How many important positions were filled with internal candidates?, Does the company's succession plan have 'ready' candidates? And do same employees appear on more than one succession plan? This will ensure use of PAS for developmental purpose.

d. The PAS needs to aim at developing 'executive sponsorship' in managers to make the corporate LD efforts successful and to ensure robust leadership pipeline.

e. The PAS can assist in highlighting external factors affecting the need for imbibing new skills in managers. The skill gaps identified through PAS as above can be addressed through introduction of various types of learning. The standard ratio of learning- 70:20:10 as seen in the figure below can be changed by companies according to their need.

Figure 7.2: Standard learning ratio
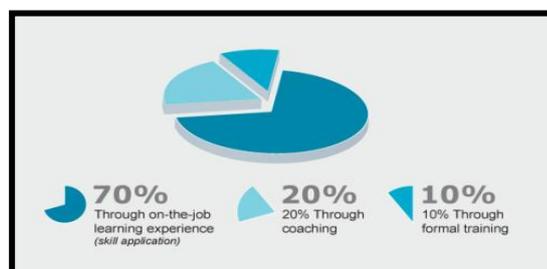
f. Increasing use of share and learn sessions by senior leaders about their dilemmas and challenges to provide valuable insights of experiences may prove

action oriented over the passive class room training. Coaching and Mentoring may become a choice in the 20% of the above model.

g. Finally, a practice oriented approach towards utilizing the data generated from PAS will definitely support the development purpose of PAS. The PAS (through employee performance management software) should uncover training needs which directly supports by facilitating the development and delivery of training programs. Further, incorporating metrics in the performance management software can be used to assess the effectiveness of the training.

Scope for further research:

The scope of present study was limited to mid -sized Pune based I.T. services companies. I.T. companies have various HR practices. This study attempts to study the effectiveness of PAS in LD in the selected companies. The study leaves scope to study other HR practices like Selection; Rewards and Recognition…. etc. in the IT industry. The researcher identifies the following areas for further research:

1. A comparative study of the PAS of mid-sized IT companies with the large IT companies can be undertaken.

2. A study of performance appraisal system followed in the IT startup companies would be beneficial to identify its linkage with Leadership development of their employees.

3. The manufacturing sector is also integrating their HR practices by adopting technology. A research into the level of IT adoption especially in HR would provide insights to the industry players for benchmarking.

4. Another area in which research can be conducted is studying the extent of use of external consultants for assessment and development of managers in IT sector.