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# Changing Trends in Performance Assessment : A Case of Jubilant Organosys

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## *Abstract*

*Trends in assessing employee performance in organizations has witnessed a change. A good performance management system has become sine qua non for business organizations in the present competitive business world. Performance appraisal has been expected to achieve various objectives. Organizations are using a combination of different appraisal methods to appraise their employees. The process of appraisal has many stages and involves multiple activities to be undertaken by an organization. Various aspects of appraisal are being reinvented and redesigned. In the present paper, performance appraisal system in Jubilant Organosys has been discussed. A critical analysis of the appraisal system has been done.*

Organizations come into existence to attain certain goals. The goals and objectives can be achieved efficiently only if the employees are skilled and they know the best way to perform their jobs. It therefore becomes very essential to have a procedure which can evaluate the skills and performance of the employees. A systematic procedure that evaluates the performance of employees in an organization is known as performance appraisal. The entire system of performance appraisal is known by different names in different organizations, for example, Performance Assessment Review (PAR) in HDFC Bank, Performance Management System in Indian Oil Corporation Limited and JK Organization, Self Performance Review Report at General Manufacturing and Marketing Co. Ltd., and so on.

Due to the changes brought about in the corporate world due to exposure to global trends, organizations are changing their systems. In terms of process, organizations are increasingly blurring the lines between management and employees as the latter are increasingly empowered to make decisions, solve problems, and work on a variety of projects through a team-based approach (Hedge & Borman, 1995). There has been an increasing emphasis on Total Quality Measurement. These have implications

on performance appraisal system as well. A number of researchers have proposed performance factors (e.g., team cohesiveness, team communication, teamwork, etc.) as viable areas for team evaluation (cf. Hedge & Borman, 1995). Results obtained from a survey conducted across 56 companies support the idea that a 360 approach is seen as compatible with the philosophy of TQM (Waite et al., 1994).

Performance appraisal has been expected to achieve various objectives. According to Wayne F. Cascio (1995), "Performance appraisal has many facets. It is an exercise in observation and judgment, it is a feedback process, and it is an organizational intervention." Appraisals serve to monitor the efforts of individuals; to integrate and coordinate individual's efforts with organizational goals; to provide feedback to individual about his performance; to provide a means to identify the need for applying

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corrective measures ; to provide a means for differentiating good performers from poor ones and to provide a basis for rewarding employees. Besides, it also assists in taking decisions regarding promotion, transfer, salary increments. Thus it can be seen that a variety of objectives are achieved by performance appraisal.

The process of appraisal has many stages and involves multiple activities to be undertaken by an organization. These are usually format determination, format administration, problems identification, sharing evaluations, designing organizational inputs and reward administration (Monga, 1983).

A variety of methods have been in use for assessing employee performance. These methods include ranking method, which ranks the employees in order of their performance, rating methods, which assess the degree of certain qualities in the employee which are essential for the job, forced choice method, which makes assessment on the basis of pairs of statements provided to the appraiser; checklist method, which provides a list of statements related to employee performance. The appraiser has to evaluate his subordinates on the basis of statements given in the list. There are numerous other methods that have been developed from time to time. The quest is to devise such a method as can provide a fair and objective assessment of employee performance and can do away with subjectivity. Behaviourally Anchored Rating Scale (BARS), Cost Accounting method are other methods of assessing performance. Organizations may use a combination of different methods in their appraisal system.

Today the emphasis (in most of the private sector organizations like ICICI Bank, Grasim Industries Limited etc. and several public sector units like Indian Oil Corporation Limited) is on assessing not only the qualitative aspect of performance but also the quantitative aspect of it. Performance is evaluated against the quantified targets/objectives set for the employees. This method of comparing the performance of employee against the set objectives is known as Management by Objectives.

The periodicity of appraisal also varies in different organizations. Generally, performance appraisal is done annually, but now, with increasing

emphasis on job performance and deadlines, the periodicity of assessing performance may be semi-annual (Grasim Industries Limited) or thrice a year (Hewlett-Packard) or even quarterly. Self appraisal of performance by employees is becoming popular in the organizations, as in Videocon Industries Limited. Many organizations like HCL Comnet have adopted the modern methods like 360° appraisal (which involves assessment by subordinates) and Balance Score Card (e.g., Maruti Udyog Limited). ICICI Bank's performance appraisal and career progression systems have been fine-tuned in the past few years. There is a system for spotting high performers (Business Today, 2001). Thus, organizations are restructuring their appraisal systems so as to improve the employee performance. This awareness has come more so in the wake of increasing competition. Indian corporate world is experiencing a flurry of changes since the early part of the decade of nineties. It is during this period when government of India started the process of liberalization of the economy. Indian business was exposed to the foreign companies. The objective was to increase the competitiveness of Indian industry. Globalization, which was the result of liberalization affected every sector of economy. It posed both opportunities as well as threats for India inc. The market became customer-centered. Focus shifted from 'simply manufacturing' to 'manufacturing quality products'. Manufacturing quality products required, besides other factors, better performance from employee.

Another fact is that employees today are more demanding. Attrition rate in industry is close to 20%. To reduce employee turnover rate it is essential to keep them satisfied. BT-TNS- Mercer study shows that today one of the most important reasons for employees to stay with a company is the nature of work, which offers them some challenge and sufficient autonomy to innovate; opportunity for growth and development; fair treatment and transparency in system.

Innovative ways are being thought of to retain the employees. There needs are being taken care of by the organizations. At Sasken there is a concept called *Hibernation* for the employees, where people who have worked for four years or more get six weeks holiday at company's expense (Business Today, 2005). Today the work is professionalized. Performance

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appraisal system is the one that affects the career of employees, therefore transparency in this system has become very important. This is another reason for the appraisal systems being modified. A good performance management system has become sine qua non in the present competitive business world. Organizations are replacing their obsolete appraisal systems with the ones that incorporate modern practices.

Organizations differ from each other in terms of size, objectives, employee competency, product/service offered, technology used and output. An organization should design its appraisal system such that it matches with its functioning and structure. Adoption of modern practices is important but its proper implementation is even more important. Periodic review of the appraisal system may be done so as to check its relevance. In this context a study was conducted on the performance appraisal system of Jubilant Organosys. Both primary and secondary data was used in the study. Primary data was collected through interview (with key officials). The sources of secondary data were company manuals and documents and relevant websites. A detailed analysis of the system is presented in the following sections.

### **A Profile of Jubilant Organosys**

Before studying any system of any organization it is essential to know its nature and the kind of operations it indulges in. Jubilant Organosys Ltd. is one of the largest Custom Research and Manufacturing Services (CRAMS) companies and a leading manufacturer of Active Pharmaceutical Ingredients (API) in India, delivering products and services to the global life science industry by leveraging R&D expertise, knowledge-driven operation and global scale manufacturing capacities. Earlier it was known as Vam Organics. The name was changed to Jubilant Organosys in the year 2001. It's Chairman and Managing Director is Mr. Shyam Bhartia. The Company's business operations are organized into three distinct business divisions: Pharmaceutical and Life Science Chemicals; Performance Chemicals and Industrial Chemicals. Each business comprises profit centers with a range of products that service industries like pharmaceuticals, agrochemicals, construction, packaging/paper, food & beverages and textiles. Jubilant has a strong R&D focus and has significantly

invested into building this function into a key global competitive advantage. The Company's R&D efforts are directed towards the development of application-specific products that have large commercial potential, both in the domestic and international markets.

The Company exports over thirty five products to leading companies in more than sixty countries. The Company has subsidiaries in USA, Europe and China.

### **PERFORMANCE APPRAISAL SYSTEM**

The organization has an *on-line* performance appraisal system. This system was implemented in July 2003. It is an annual system of appraisal, with a formal mid-year review. There is 'forced distribution system' followed for rating the employees. Performance appraisal system is designed by the HR Department with the help of external experts. Involvement of the top management is high in the overall performance appraisal system. The criteria of appraisal are assessment of Key Result Areas and Competencies. The appraisal exercise helps in deciding promotions, and identifying training and development needs, transfers and mainly salary increments.

**Levels of appraisal:** There are two levels of appraisal-

1. Appraiser (the immediate superior)
2. Reviewing officer (higher level officer)

The performance appraisal system comprises several phases. In **Phase I**, which starts in July, following activities are performed:

#### **Performance Related Activities**

- Identification of **major responsibilities** takes place. Eight responsibilities are identified. There may be a change in the responsibility of the employee due to job-rotation, assignment of new project or any such reason. Due to this reason if there is a change in responsibilities as compared to the previous year, new responsibilities need to be identified.
- Important **Key Result Areas** are identified for each employee. These are identified by the superior and conveyed to the appraisee.

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Weightage in percentage (a) is assigned to each identified KRA according to its relative importance

- Activities to be performed for **growth** are identified and weightage is allotted to each. These activities are more relevant to those working in the plants. These activities are for the growth of the organization, e.g., camp-organising.
- Activities to be performed for **stakeholders** are identified and weightage assigned to each activity.
- Activities for **business processes** identified and weightage assigned.

The activities for the growth, for stakeholders and for business processes are identified by the appraisee but these have to be approved by the superior.

Each of the above four sections is assigned a weightage. The total weightage of all the sections should be 100. Within each subsection the activities listed are also assigned weightage which should add up to 100, relative to the total weightage assigned to that section.

**Competencies identification:** Several competencies are listed in the on-line form. Those relevant for the appraisee have to be marked. The competencies which are listed are:

- Builds relationship and Partnership
- Communication Skills
- Interpersonal Effectiveness
- Visionary Leadership
- Change Leadership
- Coaching
- Empowerment
- Team Development
- Accountability
- Integrity
- Maturity
- Result Oriented
- Decision Making
- Functional Expertise
- Managing the job
- Strategic thinking and execution

**Identification of training needs:** Training needs of the appraisee are identified in phase I. These are reviewed in phase II for the changes required in the training needs. This is again reviewed in phase III.

**Phase II** comprises mid year review of the achievement of KRAs. The appraiser identifies the percentage of each target achieved (b1) under various categories till mid year.

In the competency section, the relevant competencies identified for the appraisee are marked as *proficient*, *strong* or as *developmental need*.

**Phase III :** Phase III comprises the final review of the achievement of each target at the end of the performance appraisal cycle. Rating is expressed in percentage (b2). Final achievement is calculated as:  $(a+b2)/100$ , where a = weightage in percentage assigned to each identified KRA according to its relative importance.

Competencies of the appraisee are also reviewed at this time and are marked as *proficient*, *strong* or as *developmental need*.

Feedback is given to the employees at the end of the appraisal process. The appraisee is given the grade of Outstanding, Strong, Moderate, Poor, depending upon his overall performance. There is a **forced distribution system**, under which some fixed percentage of employees have to be categorized under each one of these grades. Promotion is not dependent on these ratings. These ratings affect salary increment. Percentage of increment decreases as the rating decreases. For *poor* rating there is no increment. Two consecutive poor ratings make a case for sacking the employee. For promotion the overall performance and competencies are taken into consideration.

Practices like job rotation, project assignment etc. are used in order to improve the competencies of the employees.

The organization has a cell where a person is appointed to listen to the complaints of the employees about any problem related to the organization.

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## Earlier system

Before the present on-line appraisal system, the format was the same but was not on-line. That was in existence since the year 2001.

In the year 2000 (when the organization was known as Vam Organic Chemicals Limited), there was a different appraisal system. The characteristics of the system were-

- Focus on Key Performance Areas (KPAs) with relative weightage to arrive at score
- Assigning weightage for KPAs and Competencies for bringing objectivity in evaluation.
- Employees rated on a four point rating scale as *outstanding, strong, moderate or poor* on the basis of the total score obtained.
- Formal feedback was given to the appraisee
- Areas of improvement identified and action plan was devised
- Training need identification was formally done, in the areas of job-related, behavioural, information technology etc. Training programs were recommended by the appraiser
- Performance targets were set jointly by appraiser and appraisee for the next year
- Rating distribution norms were-

Outstanding	10%
Strong	25%
Moderate	60%
Poor	5%

## CHANGES INTRODUCED SINCE LIBERALIZATION (1991)

The system has been changed four times since 1991. The system generally changes every time the HR Head changes. Changes introduced in the current format as compared to the earlier one in use are as follows:

- Since 2004, the system has been made on-line.
- Quantification of each parameter is done
- KRAs have been identified under different heads, like, stakeholder, growth, business processes, under which various activities are planned.

- System of rating has been changed
- Rating of Competencies is not included in the final rating, but used for the developmental purpose only.
- Development plan is not made on the form.
- Performance feedback is not given on the form in the new system.

The system of appraisal changes in the organization with the change of HR Head. Certain changes are in the offing, but the directions of the changes are yet not known.

## Critical Analysis of the System

After analysis of the performance appraisal system of Jubilant Organosys, certain strengths and weaknesses were identified. These are discussed as follows:

### Strengths

- Activities under different key areas are identified separately. This facilitates maintaining focus on one KRA at a time.
- Mid year review is formally done. This helps the appraiser and appraisee in keeping track of the progress in performance.
- There is joint target setting by appraisee and appraiser. The involvement of appraisee in his target setting increases his commitment towards goal achievement.
- Post appraisal counseling takes place. This helps the appraiser and appraisee in taking the remedial actions regarding the weaknesses in performance.
- Training need identification is formally done
- A number of important factors (e.g., functional expertise, strategic thinking etc.) find place in the list of competencies to be rated.

Competency rating is used for developmental purpose only. Exclusion of competency ratings from the final rating reduces the scope for subjectivity in appraisal.

### Weaknesses

- Self appraisal of performance by appraisee is not done.

- There is no provision for appraisee to mention the constraints faced by him.
- Potential appraisal of appraisee is not done.

also sought in efforts to improve his performance. This trend is likely to get stronger as the Indian economy gets further liberalized and more competition sets in.

### Recommendations

It was found that some more aspects related to performance management need to be covered in the on-line appraisal form.

- A section for systematic potential appraisal should be introduced.
- There should be a separate section for identification of strengths and weaknesses of appraisee.
- Several factors are clubbed under each competency. Each of these should be strictly relevant to the competency they describe. For example, under *accountability*, a factor mentioned is *demonstrates passion for excellence, creativity and high degree of commitment to win*, which are not related to *accountability*.
- A section should be introduced where the appraisee may mention the constraints faced by him.
- A section should be introduced where appraisee may bring to notice his work - related or other achievements.

### Conclusion

Thus it can be seen that the organizations today, particularly those from the private sector, are ever more concerned about improving and managing the performance of their employees. To achieve this they are making an effort to improve and modernize their performance appraisal systems which now cover those performance related aspects which need to be taken care of in the era of globalization. Management keeps a regular track of employees' performance. The focus on the developmental aspect has increased and rewards are based on performance. Overall concept of appraisal has changed. The performance is not 'appraised', it is rather 'managed'. The employee is not just informed where he stands, but his opinion is

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