CHAPTER- I

INTRODUCTION

1.1 INTRODUCTION

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   B. Trading Organization - Lucky Bazar, Kolhapur
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1 INTRODUCTION

1.1. INTRODUCTION:

Individual’s performance appraisal began in the A.D. 212 – 265 in China, where an Imperial Rater appraised the performance of members of the official family. In 1883, the New York City Civil Service in USA introduced a formal appraisal programme. At present companies in India and abroad, have started performance appraisal of their employees.

Performance appraisal is a systematic evaluation of personnel by higher authorities, supervisors and other familiar persons. Appraisals are essential for making many administrative decisions like selection, training, promotion, transfer, wage and salary administration, termination etc. Performance appraisal is a systematic and an objective way of judging the relative worth or ability of an employee in performing his task. Performance appraisal helps to identify those who are performing their assigned tasks well and those who are not and the reasons for such performance. Shubin says, “Performance appraisal is a systematic appraisal of the employee’s personality, traits and performance on the job and is designed to determine his contribution and relative worth to the firm.”

A performance appraisal is mainly conducted for determination of salary or wages, increments, promotions, transfer, feedback to employees, determination of training needs, personnel research, termination of services, to measure productivity of employees, motivation, potential for upward mobility, to know required knowledge and skills etc.

Majority of the companies use different performance measures including quality of work, quantity of work, waste, money earned, job knowledge, absenteeism, rate of advancement, self judgement, judgement by peers and judgement by supervisors. For performance appraisal confidential report, rating scale, ranking system, paired comparison method, forced choice method, critical incident method, cost accounting method and forced distribution method are used.

This chapter covers an overview of the performance appraisal system in the selected sample units. The researcher has selected the Kolhapur based business units. This research is an applied research i.e. the researcher has designed the models for performance appraisal system for three different types of industries at the top, middle and lower level of management employees. The researcher has selected three types of business units viz. 1. Manufacturing Industry, 2. Trading Business, and 3. Service Providing Business in Kolhapur. The sample units have been selected on the basis of stratified sampling for the research. It is a “Qualitative Research” i.e. the researcher has developed the models or formats for performance appraisal of the employees with the support of computer programme. In this research the researcher has covered Rater’s and Ratee’s attitude, awareness, attributes of the performance appraisal system. It is an ‘Applied Research’ or ‘Practical Research’. According to P. V. Young, ‘Gathering knowledge that could be betterment of human destiny is termed as applied or practical research. It is a need based and problem solving research in the human resource department. It is being evaluated on the basis of local applicability concept in the researcher’s mind and has selected local three different nature units for this
study, which are representation of other smaller units. Before registration of this subject the researcher has conducted the pilot study in the vicinity of Kolhapur and in this pilot study the researcher felt that there was a requirement of study in performance appraisal area. Considering practical need of this subject a researcher has selected three units in different area for this study. To test the prepared performance appraisal system model the researcher has selected only three units, and not more units because repeated testing and modification of the prepared model requires more time. In short it is an experimental research mode of study. The sample units are: A) Ghatge Patil Industries Limited, Kolhapur, B) Bade Sons Marketing Private Limited, Kolhapur and C) V. H. Aparadh Hotel Private Limited, Kolhapur. The researcher has selected three different nature industries for the study and development of performance appraisal model.

1.2. BIRDS EYE VIEW OF SAMPLE UNITS:

A. Manufacturing Industry - Ghatge Patil Industries Limited, Kolhapur:

The researcher has selected the Ghatge Patil Industries Limited, Kolhapur, as a representation of manufacturing industry, which has a long history in the Kolhapur industrial world. The sample unit was established by Mr. J. B. Patil along with the partner Mr. Vasant Ghatge in the year 1962 in Uchagaon, Kolhapur. At present Mr. Kiran Patil is working as the Managing Director. He has B. E., M. B. A. qualifications with thirty years of vast experience in this field. The company is deemed public company whose shares are not listed in the share market. The Ghatge Patil Industries (GPI) started workshop under partnership, later they started transport, automobile industry, various agencies and manufacturing industry. The company has two divisions: one is foundry division and another one is production division. The company produces valves, marine gears and allied products. The total capital investment in the company is about Rs. 127 crores and has Rs. 290 crores turnover. In this company Mr. Vilas Patil is working as the Dy. Human Resource Manager with B. Sc., L. L. B qualifications. At present 1000 employees are working in the company out of which 45, 100, and 855 employees are working at top, middle and lower level management respectively. The company publishes advertisement for recruitment of employees. The candidates go through written test, oral test and on the job test for selection. The company conducts campus interview in the ITI’s, Poly-techniques and Engineering Colleges. As per the requirement of the company for recruitment the company takes references and employment exchanges help. GPI provides training to its employees for improvement of performance. They offer induction training and regular training as per requirement. In this company the performance appraisal system is used effectively. After appraisal the Rater intimates the subordinate about his performance. The employees are happy about present system but they think that there is a need for improvement in the present performance appraisal system. In this company the Rater and Retee follow positive roles about performance appraisal system. It is observed by the researcher that there is a difference of opinion about present performance appraisal system. Oral feedback is given to the employees about their performance. The company is trying its level best to
improve performance of employees by way training, meetings, interaction and outside company visits. In this company the authorities analyze the performance appraisal forms but it is tedious and time-consuming job to the authorities. The company is checking the strength, weaknesses, opportunities and threats of the performance appraisal system of the company. A discussion with the authorities revealed that there are more weaknesses and threats but not any strong point and opportunity in this system. In GPI supervisor is appraising the subordinates.

In this study the researcher has prepared questionnaire for data collection and has discussed with employees and company authorities and the researcher received some good suggestions from the sample respondents. The Researcher has prepared the PA model or format and tested it at all levels of management. The researcher has made necessary corrections in the model and again tested the modified model. The researcher has made necessary corrections in the modified model. The researcher has tested the modified model by manual and not by computerized programmed support. But in due course of time it will be tested with the help of computer support. The researcher will provide computerized PA model to GPI, Kolhapur in due course of time. Considering all the aspects of the Ghatge Patil Industries, it is found that there is a scope for improvement in the area of employee performance appraisal system. Training should be provided to the employees for performance improvement and sales related incentives should be introduced in this industry.

**Organization Chart:**

```
Members
  ↓
Board of Directors
  ↓
  Chairman
    ↓
    MD
    ↓
    CEO
    ↓
VP – All Functional Areas
  ↓
Section Heads
  ↓
Supervisors
  ↓
Workers
```

**Board of Directors:**

- Mr. J. B. Patil
- Mr. Kiran J. Patil
- Mr. P. D. Gurge
- Mr. A. D. Patravale
- Mr. J. B. Diwale
Infrastructure:

- 23 acre of land demarcated for this unit.
- 3.5 hectar area is covered for shade, manufacturing premises, and office.

Market:

- The company products are marketed in India and abroad
- 70% output is exported by the company.

Language known by the majority of the employees in the organization:

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Language Known</th>
<th>Read</th>
<th>Write</th>
<th>Speak</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Marathi</td>
<td>Yes – All</td>
<td>Yes - All</td>
<td>Yes – All</td>
</tr>
<tr>
<td>2</td>
<td>Hindi</td>
<td>Yes – All</td>
<td>Yes - All</td>
<td>Yes – All</td>
</tr>
<tr>
<td>3</td>
<td>English</td>
<td>Yes – Top Management People</td>
<td>Yes – Top Management People</td>
<td>Yes – Top and Middle Management People</td>
</tr>
<tr>
<td>4</td>
<td>Kannada</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>5</td>
<td>Any Other</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

No of employees working in GPI:

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Departments / Types</th>
<th>Administration</th>
<th>Marketing</th>
<th>Manufacturing</th>
<th>Security</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Skilled</td>
<td>15</td>
<td>27</td>
<td>400</td>
<td>16</td>
<td>458</td>
</tr>
<tr>
<td>2</td>
<td>Semi Skilled</td>
<td>2</td>
<td>16</td>
<td>500</td>
<td>24</td>
<td>542</td>
</tr>
<tr>
<td>3</td>
<td>Unskilled</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Total</td>
<td>17</td>
<td>43</td>
<td>900</td>
<td>40</td>
<td>1000</td>
</tr>
</tbody>
</table>
Photos:

Ghatge Patil Industries Ltd.
B. Trading Organization – Lucky Bazar, Kolhapur:

The researcher has selected the Bade Sons Marketing Private Limited, Kolhapur, i.e. Lucky Bazar, Kolhapur as a trading organization, which has the 30 years of history in the trading business of Kolhapur. Mr. Rajendra Bade has established the sample unit along with his family members in the year 2002 in Rajarampuri, Kolhapur. At present Mrs. Vasundhara Bade is working as the Managing Director of the Lucky Bazar. She is a B. Com. with good experience in this field. The bazar is a private limited company whose shares are among the family members and close relatives and friends. The Lucky Bazar group has a long history. In the year 1963 they started two stores and one cloth shop in Kolhapur. It shows that the group has good experience and marketing knowledge. The bazar is selling good quality food grain, at lower prices than MRP, offering good services to the customers etc. The total capital investment in the Lucky Bazar is about Rs. 2 crores and Rs. 1.5 crores turnover. In this bazar Mr. Rajendra Bade is working as the Human Resource Manager with M. B. A. qualification. At present 90 employees are working in the bazar out of which 5, 12, and 73 employees are working at top, middle and lower levels of management respectively. The bazar is giving advertisement for recruitment of employees. The bazar conducts oral tests for selection of employees. The bazar is using “recruitment at the gate”. As per the requirement of the bazar recruitment is made. Sometimes the bazar uses references for recruitment. The sample unit is not providing training to its employees for improvement of performance. They are not offering any induction training or regular training. In this bazar the performance appraisal system is not used effectively. The Rater does not intimate the subordinate about his performance. The employees are unhappy about present system but they mentioned that there is a need to improve the present performance appraisal system in the bazar. In this bazar the Rater and Retee do not follow
positive role about performance appraisal system. It is observed by the researcher that there is a difference of opinion about present performance appraisal system. Oral appraisal and feedback is given to the employees about their performance. The bazar is not taking any interest and step for improving performance of employees. It is found that there are unhealthy relations among the employees. In this bazar the Managing Director and Human Resource Manager analyze the performance appraisal of an employee. The bazar is checking the strength, weaknesses, opportunities and threats of the performance appraisal system. It is discussed by the researcher that, there are more weaknesses and threats but not any strong point and opportunity in this system. In short, there is no any scientific method for performance appraisal, only traditional method is used. Here supervisor is appraising the subordinates.

In this study the researcher has prepared questionnaire for data collection and has discussed with employees and bazar authorities. He received some good suggestions from the sample respondents. The Researcher has prepared the PA model and tested. The researcher has made necessary corrections in the model and again tested the modified model. The researcher has made necessary corrections in the modified model. The researcher has tested the modified model by manual and not by computerized programmed support. But in due course of time it will be tested with the help of computer support. The researcher will provide computerized PA model to Bade Sons Marketing Private Limited, Kolhapur in due course of time. Considering the all aspects of the Lucky Bazar trading organization, it is found that there is a scope for improvement in the area of performance appraisal of employees. Training should be provided to the employees for performance improvement and sales related incentives should be introduced in this bazar.

**Organization Chart:**

```
Members
  ↓
Board of Directors
  ↓
Chairman & MD
  ↓
HR Manager / Finance Manager
  ↓
Supervisors
  ↓
Workers
```

**Board of Directors:**

- Mrs M. M. Bade
- Mr. M. N. Bade
- Mr. R. N. Bade
- Mrs. V. R. Bade
- Mr. D. N. Bade
- Mrs. D. D. Bade
- Mr. S. N. Bade
- Mrs. S. S. Bade

**Infrastructure:**
- 20,000 sq. ft.
- Good parking facility
- Convenient location
- Good racks for display

**Market:**
- Rajarampuri Area is an operating area
- Customers are from nearby Rajarampuri area
- This Bazar is the First Private Departmental Store in Western Maharashtra.

**Language known by the majority of the employees in the organization:**

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Language Known</th>
<th>Read</th>
<th>Write</th>
<th>Speak</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Marathi</td>
<td>All Employees</td>
<td>All Employees</td>
<td>All Employees</td>
</tr>
<tr>
<td>2</td>
<td>Hindi</td>
<td>All Employees</td>
<td>All Employees</td>
<td>All Employees</td>
</tr>
<tr>
<td>3</td>
<td>English</td>
<td>Less Number of Employees</td>
<td>Less Number of Employees</td>
<td>Less Number of Employees</td>
</tr>
<tr>
<td>4</td>
<td>Kannada</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>5</td>
<td>Any Other</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

**No. of employees working in Trading Organization (Lucky Bazar):**

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Departments / Particulars</th>
<th>Purchase</th>
<th>Sales</th>
<th>Account and Billing</th>
<th>Back Office</th>
<th>Security</th>
<th>Reception</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Skilled</td>
<td>2</td>
<td>18</td>
<td>10</td>
<td>-</td>
<td>2</td>
<td>2</td>
<td>34</td>
</tr>
<tr>
<td>2</td>
<td>Semi Skilled</td>
<td>2</td>
<td>38</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>40</td>
</tr>
<tr>
<td>3</td>
<td>Unskilled</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16</td>
<td>-</td>
<td>-</td>
<td>16</td>
</tr>
<tr>
<td>4</td>
<td>Total</td>
<td>4</td>
<td>56</td>
<td>10</td>
<td>16</td>
<td>2</td>
<td>2</td>
<td>90</td>
</tr>
</tbody>
</table>
Photos:  Luck Bazar
C. Service Industry - V. H. Aparadh Hotels Private Limited, Kolhapur:

The third unit for research that the researcher has selected is that of V. H. Aparadh Hotels Private Limited, Kolhapur, as a service rendering organization, which has considerable history in the Kolhapur service sector. The sample unit was established by Mr. Vikramsingh H. Aparadh along with his family members and very close relatives in the year 1997 on the old Pune Bangalore road in Kolhapur. At present Mr. Ajit Chavan is working as the General Manager. Mr. V. H. Aparadh has a B. Sc. Agri. qualification with thirty years of vast experience in sugar industry and about twelve years of experience in this field working as the CMD. The hotel is a private limited company whose shares are not listed in the share market. The sample hotel is the milestone in the field of hotel service industry in Kolhapur. The CMD has worked in the cooperative sugar industry and after retirement he started the hotel in Kolhapur. The hotel is serving through Restaurant, Pub, Hotel Rooms, Food, 24 hours Coffee House, Swimming Pool, Gymnasium, Beauty parlor and Bar. The total capital investment in the hotel is about Rs. 5 crores (New additional Investment is 25 cr.) and Rs. 6 crores turnover. In this company Mr. Prashant Powar is working as the Human Resource Manager with B. Sc., M. S. W. qualifications. At present 170 employees are working in the hotel out of which 12, 20, and 138 employees are working at top, middle and lower level management respectively. The hotel is giving advertisement for recruitment of employees. The sample unit conducts written and oral tests for selection of employees and also uses references for recruitment. The sample unit is not providing any type of training to its employees. In this unit the performance appraisal system is not used effectively. The Rater does not intimate the subordinate about his performance. It is observed by the researcher that the employees are not happy about present system of performance appraisal and they suggested that there is a need to improve the present performance appraisal system. In this hotel the Rater and Retee follow need based role about performance appraisal system. It is observed by the researcher that there is a difference of opinion about present performance appraisal system. Oral feedback is given to the employees about their performance. The sample unit is not trying to improve performance of employees by any means and it reflects on more labour turnover. In this hotel the authorities analyze the performance of employees and no scientific method is used for employees performance appraisal at present. The hotel is checking the strength, weaknesses, opportunities and threats of the performance appraisal system. It is discussed by the researcher that there are more weaknesses and threats but not any strong point and opportunity in this system. In Victor Palace Hotel supervisor is appraising the subordinates.

In this study the researcher has prepared questionnaire for data collection and has discussed with employees and hotel authorities and the researcher received some good suggestions from the sample respondents. The Researcher has prepared the PA model and tested. The researcher has made necessary corrections in the model and again tested the modified model. The researcher has made necessary corrections in the modified model. The researcher has tested the modified model by manual and not by computerized programmed support. But in due course of time it will be tested with the help of computer support. The researcher will provide computerized PA model to Victor Palace Hotel, Kolhapur in due course of time. Considering the all
aspects of the Hotel Industries, it is found that there is a scope for improvement in the area of performance appraisal of employees. Training should be provided to the employees for performance improvement and sales or turnover related incentives should be introduced in this hotel. Hotel business is a service sector business and in service industry manpower performance is very much crucial. The sample unit has provided average amount of facilities to the employees. But there is no professional approach regarding performance appraisal in the sample unit.

Organization Chart:

```
Members
  ↓
Board of Directors
  ↓
CMD
  ↓
GM
  ↓
Resident Manager
  ↓
HOD’s
  ↓
Supervisors
  ↓
Workers
```

Board of Directors:

- Mr. V. H. Aparadh
- Mrs. Suvarnadevi V. Aparadh
- Mrs. Rekhadevi V. Aparadh
- Mr. Sangramsingh V. Aparadh
- Mr. Rangit V. Aparadh
- Mrs. Swati V. Aparadh – Bhusawalia

Infrastructure:

- 50 rooms
- 35000 sq. ft. constructed area

Market:

- The sample hotel is serving to Kolhapur customers.
- Maharashtra customers.
- Karnataka customers.
- Goa customers.
- Foreign customers.
- Deccan Odicy customers.
- Especially Company Executives.

Language known by the majority of the employees in the organization:

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Language Known</th>
<th>Read</th>
<th>Write</th>
<th>Speak</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Marathi</td>
<td>Yes – All</td>
<td>Yes – All</td>
<td>Yes – All</td>
</tr>
<tr>
<td>2</td>
<td>Hindi</td>
<td>Yes – All</td>
<td>Yes – All</td>
<td>Yes – All</td>
</tr>
<tr>
<td>3</td>
<td>English</td>
<td>Yes – Top Management only</td>
<td>Yes – Top Management only</td>
<td>Yes – Top &amp; Middle Management only</td>
</tr>
<tr>
<td>4</td>
<td>Kannada</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>5</td>
<td>Any Other</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

No of employees working: Service Industry (Hotel Victor)

<table>
<thead>
<tr>
<th>S.N</th>
<th>Particulars / Departments</th>
<th>Front Office</th>
<th>Kitchen Personne / HR Dept.</th>
<th>House Keeping</th>
<th>Account and Audit</th>
<th>Purchase and Stores</th>
<th>Maintenance</th>
<th>Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Skilled</td>
<td>19</td>
<td>15</td>
<td>5</td>
<td>5</td>
<td>2</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>Semi Skilled</td>
<td>22</td>
<td>13</td>
<td>3</td>
<td>15</td>
<td>5</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>Unskilled</td>
<td>-</td>
<td>12</td>
<td>-</td>
<td>14</td>
<td>-</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Total</td>
<td>41</td>
<td>40</td>
<td>4</td>
<td>34</td>
<td>10</td>
<td>10</td>
<td>21</td>
</tr>
</tbody>
</table>
1.3 CONCLUSION:

Performance appraisal is the buzzword in the area of human resource management. The success of any organization depends on performance of employees and for performance appraisal; creation of Human Resource Scorecard is required. In the selected three sample units the researcher has studied the present performance appraisal system and developed the specific format or model for these sample units or such types of other units. When the researcher has selected these sample units he considered all research methodology parameters which is analyzed and focused in the Research Methodology chapter. The intention behind the selection of these sample units is to develop the good format or model for employee performance appraisal.

Measurement of Human resource performance is a challenging job. It is a behavioural science and quantification of the human resource performance is somewhat difficult. To measure the performance of employees in different types of organizations, like manufacturing, trading and service, the researcher has put in rigorous efforts and developed a 25 points scale card or score card for the measurement of the performance of the employees. Normally scorecard for an HR appraisal system includes four themes like identifying the HR deliverables or contribution, identifying and measuring the High-Performance Work System (HPWS) elements that generate those deliverables, developing a competency model that will focus on outcomes, and identifying HR efficiency measures that link costs and benefits directly or indirectly. In Human Resource Performance Appraisal (HRPA) the scorecard will include the HPWS and indicators of HR efficiency and HR deliverables.
Appraisal system must balance between cost control and value creation, and it is more important to understand the reasoning behind the 25 scale scorecard. Cost and Value creation must be measured, but the emphasis must be on the value creation of deliverables. Measures of the High-Performance Work System reflect more of what should be rather than what is. HRA system measures will link directly to specific deliverables in the scorecard.

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