

---

# Executive Performance Appraisal :

(A case study of M/s HMT Machine Tools Ltd., Hyderabad)

*Israel Raju Vuram\* and GVS Sailaja\*\**

## Abstract

Performance Appraisal is a method of evaluating the behavior of employees in the work spot. It includes both qualitative and quantitative aspects of job performance. It indicates how an individual is fulfilling the job demands and it is always in terms of result. The HMT Machine Tools Limited is a multi-division, multi-product organization dealing with Machine Tool, Press, Foundry, Tractor Assembly divisions and products are special purpose machines, CNC machines, watches, bearings and it mainly takes up projects. At present the total number of employees is 919 with a turnover of Rs.57 crores. HMT Machine Tools Ltd, conducts appraisal on different forms to rate its employees and depending upon that they give promotions, transfers and training to their employees.

This paper focuses upon the executive appraisal system of HMT Machine Tools Ltd. Hyderabad. The perceptions of employees are analyzed and interpreted on various parameters/aspects.

## 1. Introduction

Human resources are the greatest assets for any organization. As every human being is born with tremendous potential, efforts should be made to develop the human beings for the effective functioning of an organization. Organization and individual should develop and progress simultaneously for the survival and attainment of mutual goals. So, the management has to develop the organization through developing its human resources.

The concept of Human Resources Development (HRD) assumes immense importance as HRD plays vital role in meeting the challenging requirements of highly skilled and competent HR in the present era of globalization. One of the important mechanisms of HRD in public sector and private sector organizations is appraising the performance of its employees'.

Performance Appraisal is one of the older managerial activities and probably has given rise to

more literature over the past few decades than any other management concept. It plays a vital role in every aspect of employee as well as the organizations development. According to **Scott** "Performance appraisal system is a process of evaluating an employee's performance in a job in terms of its requirements". Thus, *Performance Appraisal* is a systematic description of employees' job relevant strengths and weaknesses."

**\* Dr. Israel Raju Vuram**

*Associate Professor, Dept. of MBA, Noble Institute of Science & Technology, Visakhapatnam*

**\*\* Mrs. GVS Sailaja**

*Asst Professor, Dept. of MBA, Noble Institute of Science and Technology, Visakhapatnam*

*E-mail: israelrajuv@yahoo.com;*

*sailaja\_gvs@yahoo.com.*

*www.nistvizag.com*

---

In many organizations - appraisal results are used, either directly or indirectly, to help in determining the reward outcomes. i.e. the appraisal results are used to identify the better performing employees who should get the majority of available merit pay increases, bonuses, and promotions.

The appraisal system is an instrument for improving the work culture by convincing employees that their career growth is linked with the performance of the company.

## II. *Objectives of the study*

1. To study the organizational profile of HMT Machine Tools Ltd., Hyderabad with a special focus on HR.
2. To examine the Performance Appraisal system of managerial cadre employees of HMT Machine Tools Ltd.
3. To draw the perception of managerial cadre employees regarding Performance Appraisal System followed by HMT Machine Tools, Hyderabad.

## III. **Methodology and Sampling**

Towards the accomplishment of said objectives information would be obtained both from primary and secondary data sources. Primary data is collected through interviewing the employees and taking their responses through questionnaire issued to them. The questionnaire is chosen because of its simplicity and liability. Random Stratified sampling technique is adopted. The respondents are informed about the significance of the study and requested to give their individual opinion. Secondary data is collected from the documents include personnel manuals, reports, books and journals and websites of HMT. The executives and employees at HMT Ltd., Hyderabad constitute the entire 'universe' of the present study. The sample includes JGMs, AGMs, Managers and other executives of HMT Machine Tools Unit, Hyderabad. The sample size consists of 50 respondents, out of the total 50 respondents 30 are DGM's, AGM's and JGM's and remaining 20 are of managerial cadre employees in HMT Machine Tools Ltd.

## IV. **M/s HMT - Machine Tools Ltd. : A Profile**

Machine tool industry was developed in response to the needs of railway engineering work shop and textile industry in pre independent India. On 7th Feb 1953, HMT Ltd., was registered as a company under the Companies Act with registered office at Bangalore. Hindustan Machine Tools Limited, Hyderabad is fifth in the chain of machine tool division built by HMT Limited. It's a multi-division, multi-product organization.

The Machine Tool Unit of HMT Ltd., was established in Hyderabad and gifted site of 850 Acres of land from Govt. of Andhra Pradesh in the year 1963. The site is located in the Industrial Area near Balanagar, Jeedimetla of Ranga Reddy district. It's about 20 Km from Hyderabad.

The construction of this project was started in the month of July 1964 in an area of 48,935 Sq.Mts. with an investment of Rs. 8 Crores. The Honorable Late Chief Minister Sri K. Brahmananda Reddy commenced trial production of this unit on 27<sup>th</sup> December 1965. The Late Prime Minister Smt. Indira Gandhi inaugurated this unit on 4<sup>th</sup> August 1967.

The major divisions of HMT Unit are Machine Tool Division, Press Division, Lamp Division, Central Metal Forming Institute, Watch Case Division, Tractor Assembly Division and Foundry Division etc. But at present only three divisions are running and remaining units are closed because of losses. The units operated are Machine Tool Division, Press Division, Foundry and Tractor Assembly Division.

HMT Hyderabad has entered into technical collaboration with M/s. Cross Company, USA who is one of the world leaders in building Special Purpose Machines. It has already exported Special Purpose Machines (SPM) and Horizontal Boring Machines to Iran, Taiwan, Sweden, Algeria and Sri Lanka.

## V. **Performance Appraisal of Executives at HMT**

In HMT Machine Tool Ltd., Performance Appraisal system was carried out in two different ways, grading system for executives, which is carried out once in a year; and merit-rating system for workers carried out for every six months. The Rating system

would be applicable to the Board Level Executives in the grade of DGMs and above at HMT Limited and the subsidiary companies. The Components considered under this are performance (50%), Competencies (20%), Values (15%) and Potential (15%). This rating system consists of the following 4 stages Viz., 1) Appraisal rating of the employees on Job performance factors and Managerial ability factors. 2) General comments and overall assessment including development needs of the appraisal leading to the final assessment. 3) Review discussion between appraiser and appraisee, and 4) Follow up action, if any, to be taken.

Job Knowledge, Quality of work, Target fulfillment, Cost/time control and Safety consciousness are the major Job performance factors considered at HMT. On the other hand managerial ability factors such as Planning and organizing, problems analysis and decision making, Interpersonal skills, communication skills, self motivation, commitment, responsiveness to Change/ Innovation, Developing subordinates, Management of HR and positive discipline are considered and weightage will be given for each of these factors.

Each of these has to be assessed on a 5-point scale and multiplied by the specified weightage from each other factor. Also the assessment of each factor will be done separately by the reporting officer and the reviewing officer. In arriving at the total score, 60% weightage will be given by Reporting Officer and remaining 40% by Reviewing Officer in this process. For the purpose of appraising the performance of executives in HMT Machine Tools Ltd, the total appraisal score will be divided by 5 and entered in the assessment sheet. The performance score of 200 and above will be considered as *outstanding*, 180 and above as *Very Good*, 150 and above as *Good*, 120 and above as *Marginal* and Below 120 are rated as *Poor*.

### **VI. Perceptions of the employees**

Human Resources are the important components of any industry and most difficult to manage. The performance of human resources needs to be appraised by adopting suitable Performance Appraisal system. HMT Machine Tools is a Public Sector Undertaking, which is multi division and multi product organization. In view of the developments taking place

in the industry, an attempt has been made in the present study to draw the perception of employees towards Performance Appraisal system at HMT Machine Tools Ltd., Hyderabad.

**Performance Appraisal in HMT :** An attempt has been made in the study to know the general perception of employees in HMT regarding the present system of its performance appraisal. It is clear from the Table-1 that only 4% of the respondents felt that present system of performance appraisal is Excellent, about 72% felt Good, 22% felt Average and only 2% felt Poor.

So it can be concluded that majority of the total respondents opinioned the Performance Appraisal system is good in HMT but an organization should always try to be excellent in every aspect. It is the responsibility of management to modify the present system of appraisal since there are some negative opinions are noticed among executives in HMT Ltd.

**Table-1**  
**Performance Appraisal system in HMT**

<b>Opinion on Perf.Appraisal</b>	<b>No. of Respondents</b>	<b>%</b>
Excellent	2	4
Good	36	72
Average	11	22
Poor	1	2
<b>Total</b>	<b>50</b>	<b>100</b>

**Opportunity for self-review and reflection:** The executive responses in HMT regarding whether the present system of appraisal provides an opportunity for self-review and reflection are elicited in Table -2. It is understood that the majority of the respondents (92%) positively opined on this aspect. It is inferred that there are good number of executives in HMT who really felt it as an opportunity for their review but at the same time management should also take into consideration the few negative perceptions that do not agree to this aspect.

**Table-2**  
**Opportunity for self-review and reflection**

Response	No. of Respondents	%
Yes	33	66
No	4	8
Sometimes	13	26
<b>Total</b>	<b>50</b>	<b>100</b>

**Awareness of Factors for appraisal :** The executives should be made aware of all the factors on which they have been appraised (Table-3). It is evident that 42 out of the total respondents are aware of the factors and the remaining 8 respondents are unaware of those factors. It is the responsibility of the management to create awareness on what factors they had been appraised.

**Table-3**  
**Awareness of factors for appraisal**

Response	Respondents	%
Yes	42	84
No	8	16
<b>Total</b>	<b>50</b>	<b>100</b>

**Grades given by Reporting/Reviewing officer:** The reporting/reviewing officer plays a major role in assessing the performance of employees. It is evident from the Table-4 that majority of the employees 80% i.e., 40 out of 50 respondents opined that Reporting officers were good at grading the performance, 8% i.e., 4 were disagreeing and 12% i.e., 6 are not in a situation to say anything. It is understood that the Reporting officer of HMT is discharging his duties as per the guidelines laid down.

**Table-4**  
**Opinion of employees on the grades given by Reporting/ reviewing officer**

Response	Respondents	%
Agree	40	80
Disagree	4	8
Can't say	6	12
<b>Total</b>	<b>50</b>	<b>100</b>

**Counseling Procedure :** In order to improve the performance of the executives counseling was given as and when required. It is clear from the Table - 5 that 18% out of total employees felt that the management counseling was very effective when performance is low, but 40% felt effective while 30% felt it as fairly effective and only 12% felt it is ineffective. It can be concluded that the management should provide counseling depending upon their requirement in respective areas of development.

**Table - 5**  
**Counseling procedure in your organization**

Response	Respondents	%
Very Effective	9	18
Effective	20	40
Fairly Effective	15	30
In Effective	6	12
<b>Total</b>	<b>50</b>	<b>100</b>

**Decisions relating to Transfers and Promotions:** The opinion on whether the past performance is considered while taking the decisions relating to transfers and promotions for executives in HMT have been analyzed and presented in Table-6. It is clear from the table that 96% of the respondents mentioned that the past performance is considered where as only 4% of them felt it is not happening so.

**Table – 6**  
**Performance based transfers and promotions**

<b>Opinion</b>	<b>No. of Respondents</b>	<b>%</b>
Yes	48	96
No	2	4
<b>Total</b>	<b>50</b>	<b>100</b>

As the performance appraisal system should act as a platform on which appraisee and appraiser can exchange views and arrive at best decisions, frequent and mutual discussions should be established to analyze the strengths and weaknesses and give an opportunity to share their feelings and sort out work related problems. Hence, some training classes to be conducted frequently to achieve the targets and also self-assessment system should be introduced to appraise and rate themselves.

#### **Conclusion**

Performance Appraisal system plays a vital role in any industry or any organization. Performance can be measured by some combination of quantity, quality, time and cost. Performance appraisal system provides management an opportunity to recall as well as feed back to people as to how they are doing, so that they can correct their mistakes and acquire new skills. People do not learn unless they are given feed back on the result of their actions. For learning to take place, feedback must be provided regularly and it should register both success and failures.

The Performance Appraisal system implemented at HMT has been satisfactory. Since it has been following traditional method and it would be better if it adopt Modern appraisal system. Performance appraisal carried out in HMT is helpful in

identifying areas of interest, training and development, self-performance targets and many other factors. The superior should try to analyze the strengths and weaknesses of employees and advise them as and when required. In place of confidential report system, a transparent system should be adopted in HMT Ltd. It is recommended to introduce more systematic and scientific system for appraising the performance of employees/executives of HMT Machine Tools Ltd.

#### **References :**

1. *Biswajeet Pattanayak*, "Human Resource Management", Prentice Hall India, New Delhi 2002, pp 82-106.
2. *Subba Rao. P.* "Human Resource Management and Industrial Relations", Himalaya Publishing House, Mumbai, 2004, pp206-244.
3. *Mamoria CV and Gankar S.V.* "Personnel Management Text & Cases", Himalaya Publishing House, Mumbai, 2002, pp361-402.
4. *Rajiv Gandhi*, "Productivity improvement in Public enterprises", Management and Labour Studies, Vol 31, No. 2, May 2006, pp 169-177.
5. *Shankar, R.K.* "Performance Recognition", HRD News Letter, Vol 22, Issue-3, June 2006, pp22-23.
6. *Pooja Purang*, "HRD Climate: A comparative analysis of Public, Private and Multinational Organization", Indian Journal of Industrial Relations, Vol.41, No.3, Jan 2006, pp407-419.
7. Rao. T.V. Future of HRD, Mac Milan India Ltd. 2004.
8. *Dessler Gary*, "Human Resources Management", Prentice Hall of India, New Delhi, 2003, pp240-266.