MBA – THESIS

DESIGN OF A 360 DEGREE PERFORMANCE APPRAISAL AT LMK RESOURCES

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Submission Date
June 1, 2006

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2003 – NUST – MBA – 049

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ACKNOWLEDGEMENT

To the Devine Power who manages and regulates us mortals.

I express my deepest regards and sincerest appreciation to my learned teacher Mr. Naukhez Sarwar, who was kind enough to oversee this thesis and was a constant source of guidance and encouragement.

I am also thankful to Mrs. Shabana Khan, Vice President Operations at LMK Resources, who helped me in making this research work possible by providing me the necessary information.

In the end I would like to thank my parents for standing by me through out my life and helping me believe in my own abilities.

Author

Dedicated to
All those people
I love and cherish

Executive Summary

Effective performance appraisal systems contain two basic systems operating in conjunction: an *evaluation system* and a *feedback system*. The main aim of the evaluation system is to identify the *performance gap* (if any). This gap is the shortfall that occurs when performance does not meet the standard set by the organization as acceptable.

The main aim of the feedback system is to inform the employee about the quality of his or her performance. One of the best ways to appreciate the purposes of performance appraisal is to look at it from the different viewpoints of the main stakeholders: the employee and the organization.

In this thesis a detailed study of LMK Resources was carried out and it was seen that the present appraisal system failed to provide the necessary linkage between employee performance and the organization's objectives. Moreover the rating system was chock-full with the rating errors such as: contrast effect, first impression errors, halo-horns effect, similar-to-me effect, central tendency, recency effect and stereotyping

A new appraisal system for LMK Resources was proposed which incorporated a new technique for measuring performance based on 360 degree feedback. While the traditional appraisal is exclusively one way (supervisor measures appraisee) the 360 degree appraisal takes feedback from the appraisee, supervisors, peers, subordinates and even the clients.

The 360 degree performance appraisal will have the following advantages over the traditional appraisal - improved feedback from more sources, team development, personal and organizational performance development, managing employee career development, reducing the risk of discrimination, improved customer service and employee training need assessment.

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CHAPTER ONE

Introduction

Preamble:

The value of the Human Resources at LMK Resources cannot be overemphasized. The organization's mission could not be achieved without a competent, motivated workforce. To that end, the annual performance evaluation review becomes one of the most effective methods of insuring an efficient and effective operation.

Performance evaluation is an important process for both supervisors and employees. It is a tool that can enhance the operation of the organization, and it is also a process that allows employees to be both recognized for good performance and provided with recommendations for improvement. Remember that if the employee succeeds, then the supervisor succeeds. **While performance evaluation is not simple, it nevertheless remains a primary responsibility of those functioning in a supervisory role.**

Performance evaluations are intended to:

* Measure the extent to which an employee’s performance meets the requirements of that particular position.

* Strengthen the relationship with the supervisor and vice versa.

* Open up the channels of communication.

* Compare past performance with the new one.

* Clarify job expectations and standards and establish future goals.

* Provide a specific occasion for the employee to raise questions about his position and/or the guidance received from the supervisor throughout the year.

* Provide the supervisor with an opportunity to assess how effective the employee has been in communicating with you.

No performance evaluation can be considered complete without some discussion and assessment of the employee’s potential professional and career growth. The employee and the supervisor both talk together about any possible opportunities for such growth and, if appropriate, work together to identify suitable training avenues.

Background:

Over the last few decades and chiefly since early 1990's Pakistan has unsuccessfully tried to lure foreign investors into Pakistan. The country has been plagued by series of internal and external political problems which have put these aspirations of foreign investment on a back burner. Pakistan has been deemed for too long a period as a pariah state, whose existence has been questioned alike by the defence strategist and economists.

But the change of events since post 9/11 has presented a whole new picture of Pakistan to the outside world. The stigma of Islamic extremisms and religious intolerance is slowly evading. This has been helped no end by decrease in sectarian violence between the Sunni majority and the Shiite minority. Also dispersion of the myth about safety of foreigners has helped in uplifting the overall image of Pakistan. It is finally being seen as a land of opportunity for foreign investors especially in the field of Information Technology (IT). This change of mind is owed to a great deal to the Indian Government's decision to impose an [1]income tax of more than 36 percent on foreign firms with software, R&D and customer service operations in India. This has meant that many organizations are in the process of reassessing their respective positions in Indian realm and some big names like General Electric have even sold of their holdings in India. For all such countries Pakistan provides an excellent opportunity, as it offers many advantages, and the close a proximity to India means that the environment offered in Pakistan will not be very different from that of in India.

The IT industry in Pakistan can be broadly classified on the basis of Software Developers and as a Service Centres (normally referred to as Call Centres). While the importance of these call centres can not be denied especially since the neighbouring

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1 E-Commerce Times *"Pakistan now a hot spot for IT outsourcing",* by Anthony Mitchell on 11/02/04.

country of India is touted as the [2]*Service Capital* of the World. But it is the software development industry holds a much better potential for the Pakistani business environment. Investments in the educational sector and specifically in technical education related to engineering and computer sciences over the last decade is reaping its rewards. Some exceptional schools in the field of engineering and technology and especially in the field of Computer Software developers have been established. To supplement the demand further hundreds of universities have surfaced whose credentials might be a little dubious but none the less they have been producing IT graduates after IT graduates. Thus a huge labour market exists in Pakistan which is ripe to be tapped.

This opportunity has not been lost on many a foreign companies and also on huge expatriate population particularly living in America and United Kingdom. But despite huge technical capacity when concerned with technology, the software houses lack the rudimentary know how about management of people and Human Resources. Thus they more often than not have a tendency to shoot themselves in the foot when confronted with management of people.

Statement of problem:

To design a performance evaluation system that will establish and communicate performance expectations, evaluate the employee's work performance and provide incentive for employee performance.

Subject of Thesis:

In this thesis effort will be made to study the current Performance appraisal of LMK Resources. The reason for choosing LMK Resources was that it is among the few organizations operating in Pakistan where the Human Resource department enjoys a special status and elevated status. From the very start LMK Resources realised that their source of competitive advantage is the technological expertise of their human Resources. Therefore Human Resource department is expected to play a major role in helping LMK RESOURCES in achieving and sustaining its role as the market leader in upstream business not only in Pakistan but also on the global level. The Human Resources

[2] Guardian May 2004, CNN April 2005.

Department is actively involved in all the strategic decisions that are made by their executive committee.

However despite this seemingly modern outlook the employee performance evaluation is seemingly rudimentary. This shows that HR department has failed to link employee appraisal with the overall performance management system of the company.

Scope of study:

This report will suggest the generic appraisal form that can be applied all the business level to evaluate performance of an employee. But for testing purposes a pilot test needs to be conducted. This test will choose a project team from each of three business units and apply the new 360° appraisal form to these teams.

By carrying out the pilot test deficiencies in the appraisal form can be identified and subsequently amended.

Methodology:

Any analysis requires data and information. If adequate information is not collected, the results of analysis are likely to be less reliable. However, it is a fact that complete information is hardly ever available. This is the point where things like common sense, gut feel and experience come in. The methodologies that will be adopted to congregate information are as follows:

- Primary data
    - Internet
    - Case Studies
    - Books and Articles
    - Interviews
    - Discussions
- Secondary data
    - Questionnaires
    - News Papers

Organization

Chapter 1 General introduction: The subject of Performance Appraisal System and background to the issue at hand has been presented. The purpose of the project and brief detail of this project has also been given.

The rest of the research work is organized in the following manner

Chapter2 Literature Review*:* The literature that has been used during this research work is presented in this chapter.

Chapter 3 Findings*:* Describes the findings related to the old and existing Performance Management System at LMK RESOURCES.

Chapter 4 Analysis*:* This chapter analysis the discrepancies that exist in the existing PMS of LMRK and formulates opinion about its effectiveness.

Chapter 5 *Conclusion:* Is about the conclusion. This chapter concludes the research work.

Chapter 6 Recommendations*:* This chapter gives the proposed 360-degree Performance Management System. Details of process and measurement tool are also covered.

Annexure

CHAPTER TWO

Literature Review

What is 360?

360° Feedback is a proven method of helping individuals review their performance through the eyes of their working colleagues.

The individual first completes a self assessment, rating themselves over a serious of specific behaviors. They then select a number of working colleagues and categorize as e.g. Manager, Colleague, Team Member. Each selected person then assesses the individual for their current performance under the same series of behaviors using a simple rating scale mechanism.

The feedback is then summarized and collated for the individual as a series of reports. Each report is designed to emphasize a different aspect of the feedback e.g. Strengths, Development Areas, Opinion Differences.

Once the individual has received the report they are in a position to identify which behaviors are seen as in need of improvement and to choose appropriate development actions. 360 Feedback is often used as a support aid for management development training. Managers can use the 360 report to focus on areas of the course which have been highlighted by colleagues.

360° Feedback is also highly effective as a self development tool as it provides managers with key information which they would otherwise find hard to obtain.[3]

360-degree performance appraisal system:

The days of traditional supervisor-subordinate performance evaluations are numbered. Companies are turning to 360-degree appraisals which pool feedback from both internal and external customers to receive a broader, more accurate perspective on employees.

Many supervisors get a little antsy right around performance review time. In the formal performance appraisal system, there's no way for them to know whether an employee is an effective performer in all interactions--or whether the worker is simply an effective performer when the boss is around. What to do if a favored employee receives

[3] http://nt.rmsuk.com/360/

applause by supervisors but creates an unpleasant buzz among co-workers? How does a supervisor evaluate an employee he or she sees only a few hours each week? Traditional performance appraisals at their worst can be subjective, simplistic and political. Yet the need for accurate, fair performance measurement has increased exponentially as most organizations face increasingly flatter structures, greater internal changes, and more external competitive pressures.

The solution may be provided by 360-degree performance appraisals. Relatively new, they offer an alternative method by which organizations can gain more useful performance information about employees-and make them more accountable to their various customers.

The 360-degree appraisal significantly differs from the traditional supervisor-subordinate performance evaluation. Rather than having a single person play judge, a 360-degree appraisal acts more like a jury:

The people who actually deal with the employee each day create a pool of information and perspectives on which the supervisor may act. This group of individuals is made up of both internal and external customers. Internal customers may include supervisors, top management, subordinates, co-workers, and representatives from other departments who interact with the ratee. External customers may include clients, suppliers, consultants and community officials. Anyone who has useful information on how the employee does the job may be a source in the appraisal.[4]

Why use 360-degree appraisal?

Using 360-degree appraisals provides a broader view of the employee's performance. The most obvious benefit of the 360-degree appraisal is its ability to corral a range of customer feedback. Because each customer offers a new, unique view, it produces a much more complete picture of an employee's performance. Karrie Jerman,

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[4] Article "Companies evaluate employees from all perspectives" by Jayart Kirksey, et al http://humanResources.about.com/gi/dynamic/offsite.htm?zi=1/XJ&sdn=humanResources&zu=http%3A%2F%2Fwww.quality.org%2Ftqmbbs%2Ftools-techs%2F360pa.txt

HR representative at Colorado Springs, Colorado-based Hamilton Standard Commercial Aircraft, says that

360-degree appraisals are becoming imperative in the lean and mean '90s, where managers have less credibility with their employees due to their larger spans of controls. "The thing we gain the most is input from so many people that know the employee's work. Now their peers and customers give feedback," says Jerman. "They feel it's fairer."

Carol A. Norman, customer service specialist at Maynard, Massachusetts-based Digital Equipment Corp., agrees that 360-degree appraisals are fairer:
"Unlike with supervisors, employees can't hide as easily in 360-degree appraisals because peers know their behaviors best and insist on giving more valid ratings."

For instance, a manager at Denver-based Johnson & Johnson Advanced Behavioral Technology (JJABT) used a 360-degree appraisal to obtain information about an employee with supervisory responsibilities from that employee's direct reports. The feedback revealed that the direct reports believed the employee was not listening to them and was also being overly critical towards them. This allowed the manager to take corrective action. Prior to the appraisal, she could rely only on grapevine murmurs and her own limited observations of the employee.

In addition to providing broader perspectives, the 360-degree appraisal facilitates greater employee self-development. It enables an employee to compare his or her own perceptions with the perception of others on the employee's skills, styles, and performance. And there's a lot of power in peer feedback. "You can change behavior more with feedback coming from your peers," says Karen Ripley, materials manager at Digital. "There is often more power there than in managers' feedback."[5]

Finally, the 360-degree appraisal provides formalized communication links between employees and their customers. It makes the employee much more accountable to his or her various internal and external customers, because these people now have feedback into the employee's performance rating. Employees who previously might have concentrated a great deal on impressing managers now have a powerful motivation to

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2 Article "Companies evaluate employees from all perspectives" by Jayart Kirksey, et al
http://humanResources.about.com/gi/dynamic/offsite.htm?zi=1/XJ&sdn=humanResources&zu=http%3A%2F%2Fwww.quality.org%2Ftqmbbs%2Ftools-techs%2F360pa.txt

focus on working well with all individuals inside and outside their department with whom they interact.

At Hamilton Standard, the feedback from a number of employees also helped to clarify job roles and expectations--frequent sources of disagreement between employees from different functional areas. Companies can also use feedback from the various raters to create more customer-oriented goals in the next year.

Raters of 360-degree feed back system:

Companies must resolve a number of issues to use 360-degree appraisals effectively. The first issue employers must solve in implementing 360-degree appraisals is how many raters should be involved, and, more importantly, who should do the rating.

As a rule of thumb, companies generally select between five and 10 raters. Why? Less than five raters unnecessarily limit the perspective on an employee; exceeding 10 raters typically makes the appraisal system too complex and time consuming.

The most important consideration, however, is to choose the fight individuals to be raters. One of the first things companies should do is develop a workable definition of what exactly constitutes a peer, an internal customer, etc. Potential raters should be identified as all of those internal and external customers who have significant interactions with the ratee. At JJABT, which has many teams but still retains traditional hierarchical reporting relationships, the ratee develops a list of key internal and external customers that he or she interacts with and then recommends five to 10 individuals to serve as raters. The supervisor still has the ultimate responsibility for the appraisal and ensures that the appropriate raters are selected, thereby preventing the ratee from stacking the deck with supportive customers who will give high ratings.

Unlike JJABT, the Digital Equipment Corporation's and Hamilton Standard's Colorado Springs divisions are organized into self-directed work teams with extremely flat organizational hierarchies. At Digital, the ratee has the primary responsibility for selecting the raters. The Digital ratee works with his or her team leader to select a panel consisting of the coach and three other employees to be objective advocates for the ratee's 360-degree appraisal. Raters are then selected at random from the ratee's team by a computer-generated system and notified by E-mail to participate in the appraisal. The random system ensures that a fair distribution of raters is created.

The most effective 360-degree appraisal elicits feedback from external clients. However, Digital's Ripley warns that companies shouldn't survey external customers excessively. The client may feel uncomfortable with the idea, particularly if it's a new situation. For instance, one Digital client was even concerned about any potential legal issues involved if they gave a bad rating. "Remember that 'reviewing performance' is not the customer's core business," says Ripley. "Providing feedback for our employees should not take away from the customer's profitability. You need to make sure this is a mutually beneficial process." Be strategic in deciding how much information to solicit from clients. When possible, companies may use existing customer satisfaction data or other quantifiable measures of performance in place of a formal appraisal by the client.

Criteria of appraisal:

Once a company decides who will do the rating, it must create the criteria by which the employee will be judged. The criteria or questions used in 360-degree appraisals should be based on areas with which the rater is familiar. But organizations should fashion the appraisal to fit their unique needs. For instance, in Digital's self-directed teams, each ratee distributes his or her personal-development and work goals to the entire team at the beginning of the appraisal year. Thus, all members of the team have the ability to evaluate each ratee's goals at year end.

With the more traditional hierarchy at JJABT, the supervisor is most aware of the ratee's individual work tasks and goals. Therefore, the various raters ideally evaluate the ratee only on the behaviors or work incidents that they have directly observed.

The JJABT 360-degree appraisal form includes items such as:

Does the employee:

* Follow up on problems, decisions, and requests in a timely fashion
* Clearly communicate his or her needs/expectations
* Share information or help others

* Listen to others
* Establish plans to meet future needs
* Adhere to schedules?

Rating Scale:

The raters score these items on a scale from 1 (needs improvement) to 5 (outstanding). Space is also provided for the raters to make written comments. The ratee's final performance appraisal consists of a combination of the comments and ratings from the various raters and the supervisor's own feedback on the ratee's performance.

Effective 360-degree system:

An important consideration involves how many items to include in the appraisal form. A carefully thought out tradeoff must be made between a large number of questions, which provides greater validity, and fewer questions, which require less time. Because each employee is rated by five to 10 other individuals, the appraisal can entail a major time commitment. For this reason, a practical guideline is to keep the appraisal simple by using a one- to two-page form with five to 15 questions taking 10 to 30 minutes to complete.

Effective 360-degree appraisals aren't knee-jerk judgments--they require consideration. Once the data is collected from the various raters, it must be analyzed and summarized for the ratee's final performance appraisal. At JJABT the employee's supervisor is responsible for summarizing the data and determining the final performance rating, which generally includes a mean score and distribution range for each item.

Their experience reveals that feedback can't always be taken at face value. For instance, care must be exercised when only one rater has given highly negative or positive feedback. The JJABT managers stress that the key is to look for trends or patterns in the data. If there are questions or ambiguity in the raters' feedback, the supervisor will often solicit additional feedback from the same or new raters. After summarizing the data, the supervisor conducts the formal appraisal interview with the ratee.

At Digital, where self-directed work teams are used, the ratee is responsible for summarizing the feedback from the various raters. The ratee automatically throws out the lowest and highest overall ratings to ensure more objective overall ratings. The ratee then submits a summary analysis of the remaining ratings to his or her panel of advocates. The ratee and the panel of advocates then meet jointly to determine the ratee's final performance rating and development plan.

Another issue all organizations must face is whether the feedback from the various raters should be kept anonymous or be identified openly to the employee being reviewed. Confidentiality can reduce the possibility that the employee will later confront the raters, and thus encourages raters to be more open and honest with their feedback. Jay Kirksey, a member of the leadership team at Hamilton Standard, agrees that it is difficult to ensure completely honest, open feedback when raters are identified: "Organizational maturity is needed to give and receive constructive feedback. Some people had hidden agendas. We found employees were giving lukewarm and fuzzy feedback because of the fear about the feedback coming back to them. The motto was 'Do unto others as they would do unto you.'"

However, confidentiality has its own baggage: Ratees often try to "hunt the ghost down" or figure out which rater provided the negative feedback. It's also sometimes difficult for the supervisor to give clear and specific feedback without giving away the identity of the original source of the feedback.

In an attempt to deal with these issues, JJABT provides raters with the option of being open or anonymous in their feedback. If the rarer requests anonymity, then the supervisor must not compromise his or her identity. However, if the rater is willing to be open, then the supervisor may refer the ratee with questions about his or her feedback to the rater.

In keeping with the self-directed team concept, all ratees at Digital have knowledge of the various raters' comments and ratings. To help make this system work, Digital has instituted a role that no rater can give negative feedback in the appraisal unless the rater has previously given the feedback directly to the ratee. If a ratee challenges the appraisal feedback, then he or she must face the entire team about the issue. Both Hamilton Standard and Digital stress that it takes time to develop open and effective 360-degree appraisals and suggest that most organizations should start with confidentiality until sufficient understanding, maturity and trust is achieved.

Pitfalls in 360-degree appraisal:

Employers must build a bridge over 360-degree appraisals' potential pitfalls. Although 360-degree appraisals can be extremely effective, fair and useful at their best, like any form of performance review, they have their own potential weaknesses and disadvantages. For one thing, receiving a performance feedback from a multitude of sources, including one's peers, can be intimidating. Hamilton Standard's Jerman agrees that 360-degree appraisals don't eliminate the sting of criticism: "Feedback is still hard to take. It's not always fun."

While employees may have trouble receiving feedback, providing feedback is often troublesome for some. Says Sandy Bermester, staffing and training manager for financial services at Palo Alto-based Hewlett Packard: "It's hard for people to give constructive feedback when they have to. People have to have the right mindset and skills to do it well. It takes time to internalize." For these reasons. it's important that the company create a non-threatening atmosphere by emphasizing that the major purpose of 360-degree appraisals is to facilitate the employee's development and performance improvement.

Also, companies that use 360-degree appraisals may find that their biggest disadvantage is the time involved to select raters, fill out forms, and analyze the various information. It's imperative that organizations strike a balance: appraisals must be intricate enough to be meaningful, but simple enough to be completed easily. The time commitment involved is also one reason why many companies conduct formal appraisals only once a year, although semi-annual appraisals may be given to low-performing employees. Hamilton Standard does do informal 360-degree appraisals at midyear to allow employees to hear feedback and make any necessary adjustments in their work or alter their goals.

There's also the problem of different expectations by the raters. Lynda Powell, regional director of sales at JJABT, says, "Raters tend to have different expectations. Some rate very low while others are lenient and rate very high. For example, one rater wrote in the appraisal that the employee was a very good planner, but then gave that employee only a 3 on a 5-point scale on planning."

Finally, 360-degree appraisals, although potentially more accurate, are still only a means to an end. There will never be a cut-and-dried, objective, final judgment. Another senior-level manager at JJABT has several concerns about feedback: "One, does the employee know enough about the person to rate them'? The people doing the ratings do not always understand the situation the employee is in. Two, the inputs of all raters are often treated equally regardless of that raters' position or level of knowledge about the person. The feedback is often summarized overall and is not broken down into different areas to facilitate follow up."

Process to implement 360-degree appraisal:

Because of these disadvantages and potential employee concerns, it's essential that organizations develop an effective plan and change process to implement 360-degree appraisals.

First, top management needs to buy in to and clearly communicate the goals of the 360-degree appraisal and how it relates to the company's business strategy and competitiveness. Top management should also appoint a committee of representative managers and employees to develop the appraisal forms and process.

Second, perhaps the single most important key is to provide training to employees on:

* The specific details of the new appraisal process and instrument
* How to give constructive feedback in a productive, non-critical manner. For example, employees at Ford received training on how to evaluate specific critical incidents and to give feedback before they took part in 360-degree performance appraisals.

Learning to receive feedback is just as important as giving feedback. "What we particularly don't do enough training on is receiving constructive feedback and having to deal with it," says Hamilton Standard's Jerman. "If we don't take it well, people stop giving it. It's a talent that you develop."

The appraisal should first be pilot tested with a select group of employees before it is instituted elsewhere in the organization. Once instituted, it's essential that top management reinforce the goals and responsibilities of employees related to this new appraisal process on an ongoing basis. Tying the appraisal results to the company's reward and recognition systems can also provide added motivation for employees.

An organization must develop an effective change process and orient the appraisal to its particular needs and culture. It takes time and much effort, but when implemented properly, a 360-degree performance appraisal system can enable companies to obtain better performance information and increase employee development and accountability.

Key Steps to Effectively Implement 360-Degree Appraisals

1) Top management communicates goals and need for the 360 appraisal.
2) A team of employees and managers should participate in the development of the appraisal criteria and process.
3) Train employees on giving and receiving constructive feedback.
4) Instruct employees on the nature of the 360 appraisal instrument and process.
5) Pilot test the appraisal first in one part of the company.
6) Continually reinforce the goals of the 360-degree appraisal and be ready to change the process when needed.

Advantages and Disadvantages of 360-degree Performance Appraisals

ADVANTAGES

1) Provides a more comprehensive view of employee performance.
2) Increases credibility of performance appraisal.
3) Feedback from peers enhances employee self-development.
4) Increases accountability of employees to their customers.

DISADVANTAGES

1) Time consuming and more administratively complex.
2) Extensive giving and receiving feedback can be intimidating to some employees.
3) Requires training and significant change effort to work effectively.

360-Degree Limitations

Exceptional Expectations for the Process: 360-degree feedback is not the same as a performance management system. It is merely a part of the feedback and development that such a system offers within an organization. Additionally, proponents may lead participants to expect too much from this feedback system in their efforts to obtain organizational support for implementation. Make sure the 360 feedback is integrated into a complete performance management system.

Design Process Downfalls: Often, a 360 process arrives as a recommendation from the HR department or is shepherded in by an executive who learned about the process at a seminar or in a book. Just as an organization implements any planned change, the implementation of 360 feedback should follow effective change management guidelines. A cross-section of the people who will have to live with and utilize the process should explore and develop the process for your organization.

Failure to Connect the Process: For a 360-feedback process to work, it must be connected with the overall strategic aims of your organization. If you have identified competencies or have comprehensive job descriptions, give people feedback on their performance of the expected competencies and job duties. The system will fail if it is an add-on rather than a supporter of your organization's fundamental direction and requirements. It must function as a measure of your accomplishment of your organization's big and long-term picture.

Insufficient Training and Process Understanding: Employees who will participate in a 360 process need training about the process, how to provide constructive feedback, how to interpret results, and more. Failure to provide the appropriate amount of training and information can sink a process quickly.

Insufficient Information: Since 360 degree feedback processes are currently usually anonymous, people receiving feedback have no recourse if they want to further understand the feedback. They have no one to ask for clarification of unclear comments or more information about particular ratings and their basis. For this reason and for the points listed in the several bullet points following this one, developing 360 process coaches is important. Supervisors, HR staff people, interested managers and others are taught to assist people to understand their feedback. They are trained to help people develop action plans based upon the feedback.

Focus on Negatives and Weaknesses: At least one recent book, First Break All the Rules: What Great Managers Do Differently, advises that great managers focus on employee strengths, not weaknesses. The authors said, "People don't change that much, Don't waste time trying to put in what was left out. Try to draw out what was left in. That is hard enough."

Rater Inexperience and Ineffectiveness: In addition to the insufficient training organizations provide both people receiving feedback and people providing feedback, there are numerous ways raters go wrong. They may inflate ratings to make an employee look good. They may deflate ratings to make an individual look bad. They may informally band together to make the system artificially inflate everyone’s performance. Checks and balances must prevent these pitfalls.

Paperwork/Computer Data Entry Overload: Need I say much more here? Traditional evaluations required two people and one form. Multirater feedback ups the sheer number of people participating in the process and the consequent organization time invested.

Getting 360 degree evaluation right

Description:

Over the past decade, 360-degree feedback has revolutionized performance management. But one of its components--peer appraisal--consistently stymies executives and can exacerbate bureaucracy, heighten political tensions, and consume lots of time. For ten years, Maury Peiperl has studied 360-degree feedback and has asked: under what circumstances does peer appraisal improve performance? Why does peer appraisal sometimes work well and sometimes fail? And how can executives make these programs less anxiety provoking for participants and more productive for organizations? Peiperl discusses four paradoxes inherent to peer appraisal: 1) In the Paradox of Roles, colleagues juggle being both peer and judge. 2) The Paradox of Group Performance navigates between assessing individual feedback and the reality that much of today's work is done by groups. 3) The Measurement Paradox arises because simple, straightforward rating systems would seem to generate the most useful appraisals--but they don't. 4) During evaluations, most people focus almost exclusively on reward outcomes and ignore the constructive feedback generated by peer appraisal. Ironically, it is precisely this overlooked feedback that helps improve performance--thus, the Paradox of Rewards. These paradoxes do not have neat solutions, but managers who understand them can better use peer appraisal to improve their organizations.

Should you use 360-degree performance evaluation in your company?

The use of 360-degree feedback--getting input on employees' performance from peers and direct reports as well as managers and supervisors--has become widespread in developmental exercises such as team building and management preparation. But taking it one step further by tying 360 to decisions such as salaries and promotions is much more controversial. On the one hand, most employees today work with many other people, and one manager may not be able to accurately assess their work. However, critics warn that using 360 for appraisal goes against the human propensity to create hierarchies, protect status, and take revenge. Those who rate a boss or peer may feel uncomfortable about giving a frank evaluation. HMU turned to practitioners and consultants for advice on making 360 work in performance reviews. Includes a sidebar entitled "Using 360 for Performance Reviews? Tips for Success."

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Formal Progress Review:

Preparing the progress review:

- The rating official requests 360-degree sources from the employee.

- The employee provides the 360-degree sources to the Rating Official. E-g; name of peers, subordinates etc.
- Prior to the meeting, the Rating Official and the employee, individually review the work objectives and performance measure, and make notes to prepare for the meeting.
- The Rating official gathers 360-Degree input and creates an outline to guide the review process.

Conducting the Performance review:-

- To foster an environment of open and frank discussion, the RO will:
  - Conduct the review privately with the employee.
  - Encourage the employee to ask questions and discuss performance successes, impediments and concerns and career aspirations.
- To objectively review the employee's job performance, the RO will focus on;
  - Comparing performance with the work objectives and the performance measures for the entire evaluation period, not just the employee's recent performance.
  - Isolating one-time mistakes and seeing the overall performance.
  - Identifying any unforeseen impediments to the performance, and making adjustments to the work objectives and the performance measure, as appropriate.
  - Assessing progress towards achieving any work objectives, performance measures and standards, and determining any performance gaps.
  - Discussing performance gaps and the means to overcome them.

Completing a Progress Review:

- The RO documents progress to date.

- Notify employee of the perceived deficiencies and means of improving to an acceptable level of performance.
- Any comments made must be shared with the employee.
- The RO and the employee sign the document.

Tips for a Successful Progress Review based on 360-Degree feedback:-

Hold the progress review in person.

Use two-way communication and active listening skills.

Ensure that the employee's understand performance expectations.

Give specific examples when there is a performance problem.

Listen to and directly address any employee performance concerns.

Determine if the performance gaps are within employee's control.

Recognize employees for good performance.

Document the performance review and give a copy to the employee.

Preparing and Completing the Annual Evaluation Form (AEF):-

The following steps are to be followed in the annual evaluation process.

1) The RO prepares work objective and performance measures in collaboration with the employee within 45 days of the beginning of the rating cycle.
2) The RO and the employee sign the AEF to authenticate the performance plan.
3) The RO asks the employee to provide at least three 360-degree sources, which will be used for the review. If the rating employee is a supervisor than the RO will ask for the names of at least two subordinates for 360-degree input.

4) At the mandatory review the RO asks the employee of any progress made or any deficiencies shown. The review also includes comments from the 360-degree sources. Other feedback sessions must also be conducted, as appropriate.

5) If the employee shows a shortfall in achieving a work objective or is falling below the skill/ standards of his grade level, the RO outlines the deficiency in writing and counsels the employee.

6) The RO annotates comments from the review, which will include any review to the work objectives and performance measures. The RO provides a copy of the comments to the employee.

7) The RO and the employee sign the review to authenticate the document.

8) In preparation of the final AEF, the RO again requests the 360-degree sources, including the mandatory 360- degree comments from atleast two sub-ordinates in case an employee is a superior, as well as the employee's self-assessment.

9) The RO writes the draft for the final AEF and discusses the draft with the employee.

10) The employee has five working days to review the draft for inconsistencies, factual errors and gross omissions or provide any type of beneficial input.

11) The RO has two days to revise the AEF, if appropriate.

12) The RO discusses the final AEF with the employee and gives a copy to him.

13) The employee has five days to go through the document, sign the original and write an optional Employee Statement.

14) The RO does not have the right to see the Employee Statement unless desired by the employee.

360-Degree Assessment and procedures:-

Ø The Rating Official requests the 360-degree information.

- The Rating Official requests from the employee a list of 360-degree sources. (done at any type of review whether quarterly or mid-cycle)
- The employee submits a list of potential 360-degree sources.

Ø <u>The Rating Official contacts the 360-Degree sources.</u>

- The 360-degree interviews can be done through personal interviews, telephone calls and emails.
- Conduct interviews in a private setting to ensure confidentiality.
- If appropriate, provide the 360-degree sources with work objectives of the employee.
- Note taking is advisable during the 360-degree interviews.
- Focus on getting specific examples of performances and accomplishments.
- The RO must contact minimum of three people from the employee's list.
- RO can and should contact more than three individuals to get a well-rounded 360-degree picture of the employee's performance from the employee's list or elsewhere.
- RO of the supervisor must contact at least two subordinates for receiving 360-degree input.

Ø <u>The Rating Official interprets the 360-degree information</u>.

- The RO are responsible for ensuring that the 360-degree information relates to the employee's job performance and accomplishment of work objectives and performance measures.
- RO must be alert for inaccurate, unfair or biased sources.
- The RO must balance 360-degree input on both outstanding and poor performance.

- Ø The 360-Degree Information.

  · At the end of the evaluation period, the RO are empowered to check with some of the 360-degree sources used whether old or new, for additional comments.

Employee Self-Assessment:-

Another piece of valuable information for the Rating Official is considered to be employee’s self-assessment document. The self-assessment gives the opportunity to the employee to provide input on his/her evaluation and job performance. It is the employee’s responsibility to provide the RO with a written self-assessment. The RO must give the employee adequate notice, in writing, to submit the self-assessment form. Employees who do not submit the assessment within the established time frame will forfeit

The Great Debates About 360 Degree Feedback

Part 1: Debates Defined

http://humanResources.about.com/od/360feedback/l/aa360_feedback2.htm

Susan M. Heathfield

Each of us wants to know how we're doing at work. We especially want data that tells us we are doing well! We have a great need to know how others view our work but we want the information in a kind and gentle fashion! In the great 360 degree feedback debate, do members of the organization provide 360 degree feedback anonymously or face-to-face? Do 360 ratings affect performance appraisal ratings and salary increases or are they used to provide employees feedback for development? These and several other debates rage on in the performance management world. Proponents and opponents offer viable arguments for each point of view. Indeed, the introduction of 360 degree feedback methods sparks volatile discussion every time the topic comes up.

In my prior article, 360 Degree Feedback: The Good, the Bad, and the Ugly, I discussed how to make a 360 degree feedback system work effectively. In this article, I'll consider the debates that erupt whenever organizations decide to add 360 degree feedback to their performance management system. There are legitimate arguments on both sides of each of these debates. While I don't pretend to cover all aspects of disagreement in this article, these are key areas of debate.

- The goal: developmental tool and use vs. performance appraisal tool.
- The method: anonymously filled out instrument vs. face-to-face, or known rater feedback, or a combination of these. Who picks the raters?
- The outcome: impacts salary increases vs. no impact on compensation.
- The process: the individual owns the data vs. the organization, including the supervisor, has access to the data.

- The instrument: self-developed assessment vs. off-the-shelf computerized or paper instrument.
- The readiness: the current climate for feedback is one of trust vs. the climate needs work to build trust first.

What's the Goal?

Organizations differ in their approach to 360 degree feedback. For some, it is a developmental tool which employees are expected to use to further develop skills. Others use multirater or peer feedback as one component of the performance appraisal. My bias is that organizations need to first develop a performance management system (see side bar). As your organization becomes more comfortable with the overall system, 360 degree feedback can be introduced.

In today’s more team-oriented organizations, 360 degree feedback has value for every person in the organization. Traditionally and historically, it was a tool used to give executives, and later, managers, feedback. I participated in a feedback process in the mid-1980s at General Motors. Looking back, it was a fairly open process. We all provided anonymous feedback to our manager which he shared with us. He then met with us in a facilitated group meeting to design action plans to move both his managerial style and our office performance forward.

In working with organizations, one of the biggest fears people have is that a group of anonymous people will determine their raises, promotions, and standing. I am a strong proponent of introducing 360 degree feedback as a developmental tool for individuals.

In a performance development environment, the question of whether 360 degree feedback should impact performance appraisal becomes irrelevant. The performance appraisal has transformed into the performance development tool. The measurements used to determine compensation in such a system include meeting measurable goals, attendance, and contribution.

Part 2: Methods and Outcomes

The Method

There are several important questions to ask and answer regarding the method used to provide multirater feedback. Will your organization use an anonymously filled out instrument or promote face-to-face, or known rater feedback, or a combination of these. Who will select the raters? How much training will raters receive about filling in the instrument and how to provide feedback? What code of conduct regarding feedback given will the organization espouse?

Most organizations opt for an anonymously filled out document. Occasionally, organizations set up facilitated meetings to discuss the results.

Jai Ghorpade, a professor of management in the College of Business Administration at San Diego State University says that "involving multiple constituents broadens the scope of information that is gathered. However, a mere increase in the scope of information may not necessarily yield data that are more accurate, impartial, and competent than those provided by the individual manager…"

Consequently, in my mind, it is important that organizations allow employee input into the rater selection process. Perhaps the employee selects several peers, customers, direct reports and knowledgeable co-workers. Then the manager selects several more. The supervisor and the employee should always fill out the 360 degree instrument. The individual's rating of her own performance is important for later comparison with the rater group's feedback. I recommend a shared process always.

I believe all employees need training in the goals of the 360 process, the methods, the instrument, what the organization will do with the data, the expectations of the employees involved in the process, and more. I also believe that all participants need to deal with the process as confidential.

I prefer instruments that allow for examples and comments about each question. This allows the person who is the subject of the feedback to better understand his ratings.

In an organization with a culture that promotes feedback, openness, and trust, I am opposed to secret surveys. I'd like to see more organizations that introduce 360 feedback, aim over time, for a completely open process. This, of course, requires the work on the culture and climate described later.

The Outcome

You will experience more success with multirater feedback when the results do not impact the compensation of the person receiving feedback. If you require the feedback to impact the compensation, you set up several possible scenarios. People may be unwilling to give accurate feedback because they are concerned about the impact the feedback will have on raises. In a negative environment, people might collude to assure the individual receiving feedback is ineligible for a raise.

Part 3: The Instrument and Process

Susan M. Heathfield

The Process

In my work with companies, I have found that people overwhelmingly prefer that the individual owns the data from the 360 degree feedback. In this scenario, the individual shares the information with the supervisor as she chooses. The supervisor and other members of the organization have no access to the data.

When the organization owns the data and the supervisor has access to the information, too often the feedback becomes directly or inadvertently, part of the individual's appraisal. This negates the developmental goals of the process. Few individuals will openly discuss the aspects of their work needing improvement when they believe the information will become part of an appraisal impacting compensation.

I have been challenged about this by individuals who ask me why bother with the assessment if the supervisor has no access to the data. My response has generally been that if the supervisor is truly looking out for the development of the employee, the employee will share the data. In a performance management system, the employee uses the feedback to set up a developmental plan; thus the supervisor indirectly has access to the information. In an environment of trust and cooperation, you can establish a norm that the employee shares the data with the supervisor.

The Instrument

Several approaches to the actual feedback instrument are currently used. Some organizations develop their own instrument based on competencies, requirements, and other specific actions desired from employees in the organization. Others use off-the-shelf products. Some of these products are paper/pencil surveys. Others are Web-based. Some are customizable; some are one-size-suits-all. I must admit a bias toward surveys that you can customize for your organization even though you then lack the comparisons across other organizations.

See the fourth part of this article for an introduction to Web-based surveys by guest writer Steve Hancock whose *360 Global Associate Development System* is an example of a Web-enabled survey.

Organization Readiness

Organizations have degrees of readiness for innovations such as 360 degree feedback. If your organization climate is one of trust and cooperation, you are more ready for 360 feedback. If you lack trust and have a culture of suspicion, implementing 360 degree feedback will be a lot about addressing the needs of people in your culture. You will tend to develop systems that are secretive, anonymous and confidential. Even then, people will not believe that the feedback is confidential. This will impact the data you collect.

It is best to first work on your culture and climate to create the type of organization in which 360 degree feedback will be truly valued and used for the development of the people in the organization.

In all cases, 360 degree feedback is most successful when it is fully integrated in your work environment as a tool to support the development of people in the attainment of the organization mission, vision, and values.

Part 4: The Case for Web-based Assessment

Steven R. Hancock*

For Fortune 1000 companies who use 360 feedback as a routine part of their organizational and individual development planning process, customized assessment instruments are the norm. Custom instruments allow close alignment of individual and organizational development, and tracking and accountability along strategic lines.

Applications Service Providers or ASPs, specializing in Web-based, 360 feedback, individual and organizational development planning, and performance review and appraisal, now routinely build organization-specific strategic goals, values and initiatives into assessment instruments.

By customizing assessments, organizations build formative rather than summative assessment models. Formative instruments measure behaviors and competencies that are in line with organizational needs and target for development those that are not.

In addition to the customization of the assessment instrument itself, true Web-enabled multirater systems differ in many ways from paper and pencil or software-based systems that are diskette or CD ROM installed. The latter must be loaded onto individual PCs where desktop configuration, drivers, assessment instrument upgrades or revisions, and many other circumstances can affect the overall system's functionality.

In addition, "form" based assessments can involve scanning and compiling to derive reports that are mailed or printed and then delivered to associates participating in the process. In some cases, form-based systems that utilize email are nothing more than chain email systems with very little autonomy and no tracking and accountability.

Just about any system that uses a computer will claim to be "Web-enabled." However, true Web-based systems involve a secure central server where all data is collected and processing is dynamic. Assessment project accountability, tracking, and reporting, as well as notification and training, should all be totally automated and can be completely paperless.

State-of-the-art, Internet-based systems are linked to existing HRIS systems. Some even have wireless applications for associates who are in the field or do not have daily access to PCs with standard Web browsers.

Another standard of true Web-based 360 feedback is the integration of feedback results into the workforce. Individual development plans are built into some systems allowing associates to invite coaches and mentors to access their feedback information. This allows a "virtual meeting place" for coaches and mentors to provide valuable input to individual development planning goals.

Probably the most significant difference between paper/pencil systems and Web-based systems is the ability to do dynamic ad-hoc reporting of organizational profile data. While past 360s provided individual reporting, most Internet-based systems allow statistical analysis of data results. Data can be reported geographically, organizationally, and ad-hoc to build custom organizational profiles. These organizational profiles provide a demographic map to an organization's behaviors and/or competencies.

Other benefits of Web-enabled multirater assessment include the ability to:

- administer 360 degree multirater feedback instruments online;
- host unlimited assessment instruments and conduct them simultaneously;
- design your own customized 360 degree survey instrument or other performance measurement tools;
- track development plans online;
- provide online feedback, mentoring and executive coaching sessions to support development or performance, available 24-7;
- track and monitor progress through organization-learning audits, then develop concrete, measurable action plans;
- provide a totally paperless process; and

- create the culture of an "eLearning organization."

For the most part, true Web-enabled 360 systems are more organization friendly and less of a consultant-driven process and make for a much easier relationship between the individual development process and the organization's developmental needs.

In this article, I have touched the surface of issues involved in making 360 degree feedback effective in your organization. Watch for future articles that further develop these concepts. In the meantime, please provide feedback in the HR Community Connection Forum.

COMPETENCY DICTIONARY

Grote (2000) says that over the past several years, one of the significant advances in the technology of performance appraisal has been the identification of specific "core competencies" by organizations. Limited in number and critical to organizational success, competencies define for all members of the organizations the critical behaviors, skills, attributes and proficiencies that every organization member is expected to possess and display. A collection of such important behaviors or competencies is called competency dictionary.

Competencies are determined on a corporate basis and apply to all; individual raters and appraisee may at most determine which ones to particularly emphasize. Goals change; competencies do not. Competencies tend to be permanent; objectives are ephemeral. As a result, it is vital for the organization to choose wisely when it publishes the list of competencies against which individuals will be assessed. In putting forth its list of competencies, the organization is telling its members that these few are the most important attributes that we seek in members of our team.

Of course, there will be other attributes expected of corporate citizens no one will argue that any list of competencies, no matter how long, is exhaustive. But whatever items do not appear on the list must necessarily be less important than those factors that do make the cut. Every effective performance evaluation system focuses on both competencies and results.

CHOOSING A SOURCE FOR PERFORMANCE INFORMATION

Noe & Hellenbeck (2004, p.356) says that whatever approach to performance management is used, it is necessary to decide whom to use as the source of the performance measures. Each source has specific strengths and weaknesses. We discuss five primary sources: managers, peers, subordinates, self, and customers.

MANAGERS

Managers are the most frequently used source of performance information. It is usually safe to assume that supervisors have extensive knowledge of the job requirements and that they have had adequate opportunity to observe their employees – in other words, that they have the ability to rate their employees. In addition, because supervisors have something to gain from the employees' high performance and something to lose from low performance, they are motivated to make accurate ratings. Finally, feedback from supervisors is strongly related to performance and to employee perceptions of the accuracy of the appraisal if managers attempt to observe employee behavior or discuss performance issues in the feedback session.

Problems with using supervisors as the source of performance information can occur in particular situations. In some jobs, for example, the supervisor does not have an adequate opportunity to observe the employee performing his job duties. For example, in outside sales jobs, the supervisor does not have the opportunity to see the salesperson at work most of the time. This usually requires that the manager occasionally spend a day accompanying the salesperson on sales calls. However, on those occasions the employee will be on best behavior, so there is no assurance that performance that day accurately reflects performance when the manager is not around.

Also, some supervisors may be so biased against a particular employee that to use the supervisor as the sole source of information would result in less-than-accurate measures for that individual. Favoritism is a fact of organizational life, but it is one that must be minimized as much as possible in performance management. Thus, the performance evaluation system should seek to minimize the opportunities for favoritism to affect ratings. One way to do this is not to rely on only a supervisor's evaluation of an employee's performance.

PEERS

Another source of performance information is the employee's coworkers. Peers are an excellent source of information in a job such as law enforcement, where the supervisor does not always observe the employee. Peers have expert knowledge of job requirements, and they often have the most opportunity to observe the employee in day-to-day activities. Peers also bring a different perspective to the evaluation, process, which can be valuable in gaining an overall picture of the individual's performance. In fact, peers have been found to provide extremely valid assessments of performance in several different settings.

One disadvantage of using peer ratings is the potential for friendship to bias ratings. Little empirical evidence suggests that this is often a problem, however. Another disadvantage is that when the evaluations are made for administrative decisions, peers often find the situation of being both rater and ratee uncomfortable. When these ratings are used only for developmental purposes, however, peers react favorably.

SUBORDINATES

Subordinates are an especially valuable source of performance information when managers are evaluated. Subordinates often have the best opportunity to evaluate how well a manager treats employees. One recent study found that managers viewed" receiving upward feedback more positively when receiving feedback from subordinates who were identified, but subordinates preferred to provide anonymous feedback. When subordinates were identified, they inflated their ratings of the manager.

One problem with subordinate evaluations is that they give subordinates power over their managers, thus putting the manager in a difficult situation. This can lead to managers' emphasizing employee satisfaction over productivity. However, this happens only when administrative decisions are made from these evaluations. As with peer evaluations, it is a good idea to use subordinate evaluations only for developmental purposes. To assure subordinates that they need not fear retribution from their managers, it is necessary to use anonymous evaluations and at least three subordinates for each manager.

SELF

Although self-ratings are not often used as the sole source of performance information, they can still be valuable. Obviously, individuals have extensive opportunities to observe their own behavior, and they usually have access to information regarding their results on the job.

One problem with self-ratings, however, is a tendency toward inflated assessments. This stems from two sources. If the ratings are going to be used for administrative decisions (like pay raise), it is in the' employees' interests to inflate their ratings. And there is ample evidence in the social psychology literature that individuals attribute their poor performance to external causes, such as a coworker who they think has not provided them with timely information. Although self-ratings are less inflated when supervisors provide frequent performance feedback, it is not advisable to use them for administrative purposes. The best use of self-ratings is as a prelude to the performance feedback session to get employees thinking about their performance and to focus discussion on areas of disagreement.

CUSTOMERS

Nowadays the success of any product or service depends not on what a company can produce but on what the customers want. In today's want-driven market, the customer has become very powerful. This changing scenario has forced many companies in service industries to move toward customer evaluations of employee performance. "Services is something which can be bought and sold but which you cannot drop on your foot." Marriott Corporation provides a customer satisfaction card in every room and mails surveys to a random sample of customers after their stay in a Marriott hotel. Whirlpool's Consumer Services Division conducts both mail and telephone surveys of customers after factory service technicians have serviced their appliances. These surveys allow the company to evaluate an individual technician's customer service behaviors while in the customer's home.

Because of the unique nature of services the product is often produced and consumed on the spot and supervisors, peers and subordinates often do not have the opportunity to observe employee behavior. Instead, the customer is often the only person present to observe the employee's performance and thus is the best source of performance information.

Using customer evaluations of employee performance is appropriate in two situations. The first is when an employee's job requires direct service to the customer or linking the customer to other services within the company. Second, customer evaluations are appropriate when the company is interested in gathering information to determine what products and services the customer wants. That is, customer evaluations serve a strategic goal by integrating marketing strategies with human resource activities and policies. Customer evaluations collected for this purpose are useful for both evaluating the employee and helping to determine whether changes in other HRM activities (such as training or the compensation system) are needed to improve customer service.

The weakness of customer surveys is their expense. Printing, postage, telephone, and labor can add up to hundreds of dollars for the evaluation of one individual. Thus many companies conduct such evaluations only once a year for a short time.

In conclusion, the best source of performance information often depends on the particular job. One should choose the source or sources that provide the best opportunity to observe employee behavior and results. The "Competing by Meeting Stake, holders' Needs" box shows how Synergy, Inc., includes multiple evaluations in the performance measurement system. Table summarizes this information for most jobs. Often, eliciting performance information from a variety of sources results in a performance management process that is accurate and effective. In fact, one recent popular trend in organizations is called 360 degree appraisals. This technique consists of having multiple raters (boss, peers, subordinates, customers) provide input into a manager's evaluation. The major advantage of the technique is that it provides a means for minimizing bias in an otherwise subjective evaluation technique. It has been used primarily for strategic and developmental purposes.

CHAPTER THREE

Findings

Company Details

LMK Resources is a Petroleum & Information Technology Company providing front and back office-infrastructure, development solution to a variety of clients globally. Majority is owned by Halliburton ESG's Digital & Consulting Solutions division. LMK Resources has major operations offices in Pakistan, UAE, Malaysia and Thailand.

"A Petroleum Information technology company offering solutions and services in front and back office Applications, Infrastructure and Business Process outsourcing globally."

Founded in 1994, with a team of 13 professionals, five of which were management people and the rest general staff. However the company has shown a consistent growth rate of 30% per annum. The company started off with only one major area of operations and after consultation with Pakistan Government, started collecting petroleum data for consultation. The first of its kind in Pakistan, the company is the custodian of this huge reservoir of data available for consultation in the petroleum sector. This Geo Data collection reservoir is called the Perto-Bank.

With acquisition of its majority interest by Halliburton's Landmark Graphics Division in 2001, the company is expanding rapidly and is now an integral part of Halliburton, which is one of the world's largest providers of products and services to the oil and gas industries employing more than 100,000 people in over 120 countries. The company currently employs more than 500 employees and consists of three divisions, namely, IT, Geo-Data and Geo-Technology.

The company's Geo-Technology (called the Prospectors) Division provides a diverse set of solutions for the Oil & Gas Exploration and Production Industry. Some of the specialized solutions offered are: Seismic Data Processing and Reprocessing; well log scanning, digitizing, processing and Interpretation; Integrated Geological and

Geophysical services; Landmark and Geo-Graphix Software support and consultancy; Onsite Technical services and specialized scouting services.

LMK Resources is ISO 9001:2000 certified Data Management and Archival Solutions and Services (called the Bankers) include: Seismic scanning and digitizing; Document scanning and imaging; Physical data management and Online Data Management solutions using Petro-Bank technology; National Data Repository and Technology Implementation; Data Brokerage and promotional services.

Equipped with an ISO certified software house, LMK RESOURCES specializes in Enterprise Automation solutions; Automated Testing and Quality Audits; Domain Testing; customized GIS solutions; GeoIT services; Database solutions; Network Management services, web and portal services (called the Trojans).

LMK Resources has also become actively involved in innovative development programs for technical personnel. The process includes a strict candidate selection process, up to a year of intense education and practical experience, mentors to guide the process and understanding intricacies of the industry. The very latest technology and learning methods are utilized. The program is multifaceted, in that interpersonal and business skills are included in the curricula to compliment the technical aspects of the program and drive the candidates to be fully functional in the global business environment.

The outcome of the program has been highly successful. In just over two years, LMK Resources has developed over 300 multi-national candidates to serve as high profile Geo-Technical and IT professionals, who have been placed in Landmark Graphics, major energy companies and the IT arena globally.

LMK Resources' International Resource Centers employs more than 400 domain experts who are supported by high capacity bandwidths and modern communication and IT infrastructure. This enables to deliver services globally in an economic and efficient manner.

The outcome of the program has been highly successful. In just over two years, LMK Resources has developed over 300 multi national candidates to serve as high profile professionals around the globe.

LMK Resources Advantage:

LMK Resources nurtures the best breed of Geo-Science and IT Professionals to cater to the requirements of cross-industry and industry specific workflow processes, solutions and services. This enables its Professionals to develop customized business applications in sync with the changing Global Business requirements.

International Resource Centers employ more than 400 domain experts who are supported by high capacity bandwidths and the latest in communication and IT infrastructure. LMK Resources attaches great importance to the quality of products and services it delivers. Having over 20 dedicated professionals specifically working in the area of quality assurance, LMK Resources is IS0 9000: 2001 certified in Software Development and Data Management & Archival Solutions. Its Software development team has achieved CMM level-2 compliance and is aggressively in the process of targeting for CMM level-3 certification.

Employee Appraisal at LMK Resources:

Any PMS is composed of two things – a) process and b) End discussion /Measurement. The *process* stands for the whole procedure based on which an individuals performance is to be evaluated. This in essence creates a yardstick against which each individual is assessed, on whether the individual has achieved what was expected of him, exceeded the expectations or has failed to meet the expectations. The *end discussion /Measurement* contain the appraisal form and the formats of the appraisal measures that is used by a company.

Like most other organizations at LMK Resources the employee appraisal is carried out once a year. Each employee is appraised on the basis of his performance by his immediate supervisor. After which the survey results are forwarded to the Human Resource (HR) department. It is the HR department that compiles the results and helps the Top management in deciding the rewards and promotions on the basis of employee performance.

One of the major achievements of the appraisal process at LMK Resources is the holding of successful Appraisal Discussion between the employee (appraisee) and the supervisor (appraiser). At the end of the appraisal period and completion of all the associated forms the appraiser and the appraisee sit together and discuss the positive and negative aspects of the appraisee performance.

Presented below are the appraisal form that is being used or previously have been used before at LMK Resources.

OLD EVALUATION FORM

Performance Appraisal
And
Development Plan

200___ Objectives:

Date Prepared:	______________________
Name:	______________________
Unit:	______________________
Title:	______________________
Seniority Date:	______________________
Assigned Date:	______________________
Prepared:	______________________ (Name)
	______________________ (Title)

SPECIFIC OBJECTIVES AND RESULTS SUMMARY

Outline of Specific Objectives	Results				Comments-- Objectives vs. Results
	Q1	Q2	Q3	Q4	
Financial Target for 2005:					
Services 1. Fully proficient in 3D Volume Interpretation, GeoProbe with supporting software and Spec. Decon. 2. Develop expertise in Seismic Fusion and initial development in PowerModel. 3. Proactive consulting role with Landmark's G&G group is the prime target. 4. Two client presentations and one internal presentation. 5. Monthly reporting on the progress					

Quality 1. Customer satisfaction - No client's complaints 2. Ensure quality delivery of new initiative offerings 3. Ensure knowledge transfer of new initiatives to other team members and create your backup.					
Training and Development 1. One week Seismic Fusion training. 2. Communication and presentation skills.					
Safety 1. No Accidents 2. Full compliance with the companies safety policy					

PERFORMANCE FACTORS

Check (X) significant strengths and development areas only. Do not check items where "normal expectancy" or "not Applicable" would apply.

S = Significant Strength

D = Development Area

PERSONAL	**S**	**D**
1. KNOWLEDGE OF WORK		
2. ENERGY LEVEL		
3. ABILITY TO WORK UNDER PRESSURE		
4. DECISION-MAKING		
5. CREATIVITY		
6. ORAL AND WRITTEN COMMUNICATION		
7. RISK TAKING		
8. INITIATIVE		
MANAGING THE ASSIGNED TASK	**S**	**D**
9. PERFORMANCE AGAINST OBJECTIVES		
10. DEFINITION OF OBJECTIVES		

MANAGING THE ASSIGNED TASK (CONT.)	**S**	**D**
11. CONTROL OF COSTS		
12 CONTROL OF QUALITY		
13. UNDERSTANDING OF PRODUCT OR SERVICE TECHNOLOGY		
14. SHORT RANGE PLANNING (1-3 YEARS)		
15. LONG RANGE PLANNING (3-10 YEARS)		
16. IMPLEMENTATION OF PLANS		
WORKING WITH SUBORDINATES	**S**	**D**
17. DELEGATING AUTHORITY AND RESPONSIBILITY		
18. LISTENING		
19. LEADERSHIP		
20. APPRAISING		

WORKING WITH SUBORDINATES (CONT.)	**S**	**D**
21. SELECTING		
22. TRAINING AND DEVELOPING		
WORKING WITH OTHERS	**S**	**D**
23. PEERS		
24. TEAMWORK		
25. CLIENTS / OTHERS		
HEALTH, SAFETY & ENVIRONMENT	**S**	**D**
26. HEALTH, SAFETY & ENVIRONMENTAL LEADERSHIP		
27. EFFECTIVENESS OF PREVENTION		
EMPLOYEE DIVERSITY	**S**	**D**
28. UNDER REPRESENTED NATIONALITIES & MINORITIES		
29. DIVERSITY ACTION		

OVERALL PERFORMANCE IN PRESENT POSITION

☐	☐	☐	☐	☐
A Outstanding	**B** Well Above Normal Expectancy	**C** Normal Expectancy	**D** Development Needed	**E** Significant Development Needed

Signatures ____

(Appraiser) **(Person Appraised)** **(Date)**

COMMENTS

PLAN FOR DEVELOPMENT

REVIEWING (&/OR FUNCTIONAL) MANAGER

EMPLOYEE COMMENTS

DEFINITION OF PERFORMANCE FACTORS

PERSONAL

1. **Knowledge of Work-** Familiarity with individual task or tasks performed by business unit.
2. **Energy Level-** Energy exhibited above or below "normal" to satisfy job demands.
3. **Ability to Work Under Pressure-** Keeps or loses control when pressure is high.
4. **Decision-making-** Both willingness to make decisions and the quality of decisions (judgement).
5. **Creativity-** Seeks innovative ways to solve problems.
6. **Oral & Written Communication-** Makes accurate and thorough reports. Persuasive in speaking and on paper.
7. **Risk Taking-** Ability to take reasonable risk in the pursuit of new methods and goals.
8. **Initiative-** Ability to think and act without being directed.

MANAGING THE ASSIGNED TASK

9. **Performance Against Objectives-** Summary of comments on page 2.
10. **Definition of Objectives-** Sets practical goals for self and subordinates.
11. **Control of Costs-** Either for individual task or organization unit.
12. **Control of Quality-** Either for individual task or organization unit.
13. **Understanding of Product or Service Technology-** Knowledge of engineering principles or field technology.
14. **Short-Range Planning-** Markets, products, facilities, people.
15. **Long-Range Planning-** Emphasis on the new - markets, products, facilities.
16. **Implementation of Plans-** Puts short and long range plans to practical use.

WORKING WITH SUBORDINATES

17. **Delegating Authority and Responsibility-** Gets others to do as much as possible without losing control.

WORKING WITH SUBORDINATES (Continued)

18. **Listening-** Ability to listen and process information from others to make informed decisions.
19. **Leadership-**Ability to establish direction (create a vision of the future), and align and motivate people to produce a successful outcome.
20. **Appraising-** Understands the reasons for performance. Knows the strengths and weaknesses.
21. **Selecting-** Matches job requirements with skills and abilities.
22. **Training & Developing-** Works to upgrade skills and abilities.

WORKING WITH OTHERS

23. **Peers-** Respected by and can influence.
24. **Teamwork-** Works effectively on teams by actively contributing to the accomplishment of goals.
25. **Clients/Others-** Works effectively and successfully with clients and others (eg. suppliers, government agencies, etc.)

HEALTH, SAFETY & ENVIRONMENT

26. **Health, Safety & Environment Leadership-** Acts as a role model and promotes prevention among others.
27. Effectiveness of Prevention- Achieves continuous improvements in accidental risk reduction.

EMPLOYEE DIVERSITY

28. **Under-represented Nationalities and Minorities Development-** Creates an atmosphere that is conducive to the recruitment and development of under-represented nationalities and minorities.
29. **Diversity Action Plan-** Actively supports the establishment and accomplishment of Diversity Action Plans.

COMMENTS SECTION

COMMENTS

The rater comments on overall performance and significant strengths and improvement areas.

PLAN FOR DEVELOPMENT

The development plan identifies specific actions to develop a competency (ies) or to improve in an area of needed development.

REVIEWING (&/OR FUNCTIONAL) MANAGER

The Reviewing (&/or Functional) Manager makes comments relative to the employee's work, methods, etc. There should be agreement on the rating of the employee.

EMPLOYEE COMMENTS

The employee expresses his or her opinion about the assessment, development plan or any other aspect of the work.

DISTRIBUTION OF RATINGS

The rater's supervisor should establish a ratings distribution pattern reflecting the comparative performance among teams, departments, etc., to differentiate among levels of contribution.

NEW EVALUATION FORM

All employees

DIRECTIONS

Annual Performance Review is based on objectively assessing individual employee's performance against responsibilities, objectives and LMK Resource's core values. They form the basis for setting future objectives and action plans and ultimately have an influence on performance related compensations.

1. The evaluation process is annual, or semiannual if there is a change that requires this exercise to take place. Reporting will be done in June for appropriate actions in July and/or in December for actions to be taken in January
2. The employee should fill out the 'Responsibilities' and 'Results' column of section 1 of the form prior to self-assessment. **Additional rows should be added if required** and should return the form with his/her self-assessment done before the appraisal meeting. The Appraiser should then fill out his assessment of Employee's performance.
3. A meeting should be held between the Appraiser, HR and the Employee to discuss his evaluations. The objective should be to discuss his performance, provide recognition for good results and strengths, set a future work plan, assess his training needs and provide counseling and motivation to improve where results fall short of expectations. The Appraiser, the Reviewer (HR) and the employee should sign the form.
4. If the employee dissents with his performance rating, he may appeal to the CEO who will be the final judge of the appraisal rating. The review translates the performance rating into salary recommendations and necessary actions to implement the decision taken.

General Definitions Used in the Form

- *Appraiser: The individual responsible for conducting the performance appraisal of the employee to be assessed. Usually the employee's immediate supervisor.*
- *Appraisee: The individual who is to be assessed under the Performance Appraisal Process.*
- *Reviewer: A member of HRM Team and/or Vice President of the respective department*

Definitions for Terms Used in Section 2: Performance Factors

Individual Traits, Behavioral Patterns

- *Attitude: Interest in work, general disposition towards supervisors and others.*
- *Acceptance of Responsibility: related to JARD.*
- *Acceptance of Additional Responsibility: The amount of additional responsibilities, other than job related, willingly accepted (company events).*
- *Initiative: Imagines, and inspires a plan, proposal, scheme, or idea,*
- *Completion: The degree of success in timely completion of required work.*
- *Resourcefulness: The extent to which performance barriers were removed independently*
- *Flexibility: Adjustment to change*
- *Creativity and Originality: The ability to develop, and implement constructive ideas.*
- *Leadership: Effectiveness in remaining people oriented and situation sensitive, in order to influence and motivate co-team members to work towards assigned goals through mutually supportive relations*
- *Coping with Stress: The ability to cope with stressful situations in the work environment while maintaining normal job effectiveness*
- *Personal Productivity: Output and quality of work in relation to time spent*
- *Appearance & Personality: grooming/appearance/hygiene*
- *Punctuality & attendance: promptness, timekeeping, regularity & reliability*
- *Conduct & discipline: Behavior, manner, regulation, order control*
- *Integrity: Adherence to personal principles (including honesty) and the courage to uphold convictions*
- *Commitment to LMK Resources & Organizational Goals, Visions & Values: Able to demonstrate ongoing acquisition of knowledge & goals relevant to the job & LMK Resources and acceptance of organizational goals & purpose, track record of identifying, addressing and pursuing own learning needs, and apply learning gained from a range of activities e.g. experience as well as courses.*

Knowledge

- *Job Related: It is the amount of job-relevant knowledge and skill an employee has. E.g. functional knowledge of new development tools and products, knowledge of new software and research in their area of expertise*
- *Work Related: Understanding impact of own work on other areas, knowledge of other functions influencing own work*
- *Developments In Profession: The extent to which the employee keeps himself updated on continuing developments in his profession, and applies this to the job*
- *Industry Related: Global Knowledge of related Industry*
- *General: General knowledge of Socio-political events*

Work Management Skills

- Planning: The ability to set specific goals and objectives and effectively plan the work required to attain them
- Organizing: The ability to organize own work and the work of subordinates into manageable activities
- Directing: The ability to make sound decisions and to motivate employees to implement actions, providing guidance as required
- Controlling: The ability to continuously monitor performance with established standards, identify performance deviations,
- Productivity: To take corrective action to bring performance inline with requirements
- Succession Plan: Identify and train a replacement
- Technology Tools: Usage of tools and equipment to enhance working, like PDA, etc
- Policy and Procedures: ability to follow and implement Company procedures and policy.

Problem Solving Skills

- Routine Problem Solving: The ability to identify, define and solve problems which are well within the scope of the job
- Contingent Problem Solving: The ability to identify, define and solve problems whenever there is a contingent need

Interpersonal Skills

- Rapport With Customers: Ability to identify and respond to the needs of potential and current customers
- Rapport with Multinational Customers: Ability to identify and communicate to the needs of potential and current customers other than the ones belonging to the same country.
- Rapport with Supervisors: Ability to communicate and discuss with immediate Supervisor and other higher ups in the company
- Rapport with Peers: Consider cooperation with peers, success in building & maintaining respect and loyalty
- Rapport with supervised employees: Ability to instruct and train supervised employee in a friendly atmosphere
- Rapport with other employees: Attitude towards all employees other than the ones under direct supervision, specially lower grade employees
- Rapport with employees of other Nationality: Ability to communicate with employees of different ethnic back grounds
- Conflict Resolution: Consider the employee's ability to effectively manage conflicts among subordinates by allowing differences to be constructively resolved rather than ignored, suppressed, or denied

Communication Skills

- *Written: Consider the employee's ability to put his ideas across in writing.*
- *Verbal: Consider the employee's ability to put his ideas across in speech.*
- *Listening: Consider the employee's ability to listen to other ideas across*
- *Presentation Skills: Consider the employees ability to put his ideas across during presentations*
- *Public Speaking Skills: Consider the employees confidence when speaking in front of a group of people.*

Performance Evaluation Report (PER)
(Managerial Positions)

Name	
Designation	
Joining Date	
Department/Team	
Current Location	
Period Under Review	
Salary Level **Since (Date)**	
Appraiser's Name **Title**	

SECTION 1: JOB RESPONSIBILITIES **Fill out the 'Responsibilities' column taken from JARD (including Technical, Non-Technical and Supervisory objectives) and indicate the results in the 'Result' column. This should be done before assessment. Add as many rows as required.**
Score Key: Excellent: 4.0 Good: 3.0 Satisfactory: 2.0 Border Line: 1.0 Poor: 0

Objectives	**Results** to be filled in by employee	**Self Score**	**Supervisor Score**	**Supervisor's Comments**
1. Responsibilities				
2. Responsibilities				
3. Responsibilities				
4. Responsibilities				
5. Responsibilities				
6. Responsibilities				
	Average Score			

PERFORMANCE SUMMARY (TECHNICAL) Employee and supervisor both should review and discuss weakness and improvements that should be documented.		
6.1 Supervisor's Comments		**Date** ____________
Position Title	**Name**	**Signature**
6.2 Employee's Comments		**Date** ____________
Position Title	**Name**	**Signature**
6.3 Reviewer's Comments		**Date** ____________
Position Title	**Name**	**Signature**

SECTION 2: PERFORMANCE FACTORS

Please indicate assessment of performance with respect to the overall level of achievement.
Refer to the cover sheet #2 for definitions of each term.

Score Key: Excellent: 4.0 Good: 3.0 Satisfactory: 2.0 Border Line: 1.0 Poor: 0

Performance Factors	Self Score	Appraiser Score	Reviewer's Comments
2.1 Individual Traits, Behavioral Patterns Consistently Demonstrated in the Employee's Performance			
2.1.1 Attitude			
2.1.2 Acceptance of Responsibility			
2.1.3 Acceptance of additional responsibility			
2.1.4 Initiative			
2.1.5 Completion			
2.1.6 Resourcefulness			
2.1.7 Flexibility			
2.1.8 Creativity & Originality			
2.1.9 Dependability			
2.1.10 Analytical Ability			
2.1.11 Decisiveness			
2.1.12 Thoroughness & Accuracy			
2.1.13 Leadership			
2.1.14 Coping With Stress			
2.1.15 Personal Productivity			
2.1.16 Appearance & Personality			
2.1.17 Punctuality & Attendance			
2.1.18 Conduct & Discipline			
2.1.19 Integrity			
2.1.20 Commitment to Personal Development			

2.1.21 Commitment to LMK RESOURCES Goals, Vision, & Values			
Score for Behavioral Patterns			
2.2 Knowledge			
2.2.1 Job Related			
2.2.2 Work Related			
2.2.3 Developments in Profession			
2.2.4 Industry Related			
2.2.5 General			
2.2.6 Knowledge of LMK RESOURCES Goals, Vision, & Values			
Score for Knowledge			
2.3 Work Management Skills			
2.3.1 Planning			
2.3.2 Organizing			
2.3.3 Directing (If applicable)			
2.3.4 Controlling (If applicable)			
2.3.5 Productivity			
2.3.6 Succession Plan/Domain knowledge sharing			
2.3.7 Technology Tools			
2.3.8 Policy and Procedures			
Score for Work Management Skills			
2.4 Problem Solving Skills			
2.4.1 Routine Problem Solving			
2.4.2 Contingent Problem Solving			
Score Problem Solving Skills			
2.5 Interpersonal Skills			
2.5.1 Rapport with External Customers			
2.5.2 Rapport with Multinational Customers			
2.5.3 Rapport with Supervisor			
2.5.4 Rapport with Peers			
2.5.5 Rapport with own Team			

2.5.6 Rapport with Other Team Members			
2.5.7 Rapport with Team Members of Other Ethic Backgrounds/Nationalities			
2.5.8 Conflict Resolution			
Score for Interpersonal Skills			

2.6 Communication Skills			
2.6.1 Written			
2.6.2 Verbal			
2.6.3 Listening			
2.6.3 English Language Skills			
2.6.4 Presentation Skills			
2.6.5 Public Speaking Skills			
Score for Communication Skills			
Total Score			

2.7 Greatest Strength
APPRAISER: AGREE/DISAGREE
COMMENTS:
2.8 Greatest Weakness
APPRAISER: AGREE/DISAGREE
COMMENTS:

2.9 Future Plans
APPRAISER: AGREE/DISAGREE
COMMENTS:

PER: PROBATIONARY PERIOD REPORT

1.0 Employee Information

1.1 Employee Name ________________________ 1.2 Designation ____________________

1.3 Work Team ____________________________ 1.4 Project _______________________

1.5 Immediate Team Leader___________________ 1.6 Date Joined _____________________

2.0 Indicate employee performance for the following job activities

S.#	Job Activities	Yes	No
1	Job knowledge: Does employee understand job requirements?		
2	Does employee meet full job requirements?		
3	If not, is employee making satisfactory progress on the job?		
4	Quality of work: Is quality of employee's work satisfactory?		
5	Quantity of work: Is employee sufficiently productive?		
6	Initiative: Is employee a self-starter who does not need prompting?		
7	Dependability: Can you count on employee to do as instructed without constant follow-up?		
8	Conduct: Does employee follow rules of conduct?		
9	Tardiness: Are you satisfied with his punctuality during this period?		
10	Attendance: Are you satisfied with his attendance record to date?		
11	Cooperation: Does employee work as a team member?		
12	Job attitude: Does employee like the job?		
13	Is this employee satisfied with the job?		
14	Has this employee gained full knowledge of the job requirements?		
15	Has the employee progressed as well as you expected for his or her time on the job?		
16	How satisfied are you with the employee's progress to date? Circle appropriate level. ❑ Unsatisfied ❑ Satisfied ❑ Very Satisfied		

3.0 Team Leader's Recommendation

❑ Extend Probationary Period ❑ Confirm Employment ❑ Terminate

_________________ _______________________

Employee's Signature & Date Supervisor's Signature & Date _______________________

VP HRM Signature & Date

CHAPTER FOUR

Analysis

The basic function of the appraisal system is two folds – measurement (through appraisal forms) and process.

Measurement:

The basic purpose of any measurement / appraisal form is to meet the following criterion:

i. *Relevance*: Linkage between performance standards for individuals and the goals of the organization.
ii. *Sensitivity*: Ability to differentiate between effective and ineffective performers.
iii. *Reliability*: Consistency of judgement i.e., if assessments were done by different appraisers then the results would be close to one another.
iv. *Acceptability*: Having support of everyone involved and for the measurement to be seen as being unbiased.
v. *Practicality*: Ease of understanding and use by the appraiser and the appraisee.

Old Appraisal:

The present appraisal at LMK Resources was a huge improvement on the original (old) performance appraisal. Previously LMK Resources relied on a mixture of result oriented (MBO) style rating system and the personal traits rating system. Though the original form had a positive aspect in which employees were judged on the results they achieved but the method of measuring the personal traits was very rudimentary and highly prone to errors. Categorizing an employee on the basis of two categories of *strength* and *development* would naturally tend to a lot of biasness and rater errors. Though the concept of MBO approach was a good one but it lacked the requisite procedure in which the employee and his supervisor (appraisee and the appraiser) sit together to decide on objectives to be achieved at the start of the appraisal period. This meant that the objectives were handed down rather than being mutually agreed. This led to lack of ownership and acceptability on the behalf of the appraisee. There was also an issue of practicality especially on the part of the appraiser. Because he has to rate his subordinates only on the basis of whether he is good or he is not good. Making such a judgemental call is very difficult because some behaviour obviously lie between good and poor performance. This also lead to sensitivity problems as the company was not able to differentiate between effective and non-effective performers.

New Appraisal:

Advantages:

The new appraisal form developed at LMK Resources eradicated a lot of these issues. For starters the new appraisal of LMK Resources introduced a rating scale of 0-4. Where 0 signifies poor performance and 4 signifies excellent performance. Thus the appraiser got a wider spread to place his subordinates and the company in return was able to identify poor, average and above average performers. LMK Resources also improved the measurement factors against which the appraisee performance can be compared. In the older form the performance measures were quite elementary and not well explained. In the newer form these performance measures are better explained and appraiser (rater) is better able to judge and measure the level of employee performance against the traits. Another new innovation in the form was introduction of self appraisal and the involvement of reviewer (HR personnel). The appraisee also gets the chance to rate his performance independently of the rater while the reviewer acts as a silent observer who oversees the whole of performance appraisal. This not only allows appraisee to voice his own opinion but also provides the HR department to review the credentials of the rater if his ratings consistently show discrepancy form those of the appraisee.

Dis-advantages:

The appraisal form at the LMK Resources was more oriented towards the traits rather than towards the result based analysis. Even the portions within the appraisal forms that were supposed to be measuring behaviours were actually catering for individual's traits. The form tried to measure an employee against 48 performance dimensions on a scale of 0-4.

Despite improvement in performance measures these traits still left a lot of space of subjectivity. These 48 performance dimensions were not only lengthy but they were not representative of how individual performances cater to the organization's goals (relevance). Since the traits were not well defined the form was unable to differentiate among performers (sensitivity). The qualitative and subjective nature of form along with it being carried out at the end of year meant that it lacked reliability. There was no defined procedure for maintaining of employee critical incidents. This meant that the appraiser had to rely on his memory in order to make a judgement on the appraisee performance. (Thus it clearly depends on individual's memory and biasness).

The subjectivity, lack of feedback and no linkage with reward system further clouted the usefulness of appraisal form (acceptability). Furthermore the form lacked the user friendly character, which meant that the appraiser was unable to give his due attention to the appraisal form and resultantly the appraisal lost its effectiveness.

Process:

Generally speaking the process incorporates three main areas*:

i. *Defining performance*: Identification of what actually constitutes good performance and setting of the benchmarks against which the performance can be judged.
ii. *Facilitating performance*: Detection of the hindrances in way of achieving good performance and then providing Resources to overcome these obstacles.
iii. *Encouraging performance*: Egging on the employees to achieve the optimum level of performance by tying performance with rewards in form of compensation-incentives and promotions.

It is clearly evident that the *process* portion of the performance appraisal is somewhat flawed at LMK Resources. There looks to be complacency on part of the

* This concept of performance is based on the literature review of: Chapter 9, Performance Management of book "Managing Human Resources, 6th Edition" which has been by Wayne F. Cascio.

Human Resource department to *definition of performance*. Rather than having some clear cut goals or measures for assessments, no provisions were made on what constituted a good performance. This lack of definition was the root cause that made the appraisal system to be subjective and overly reliant on the whims and wishes of the appraiser. The new performance appraisal tried to address this issue and tried to incorporate the performance measures against which employee performance can be measured. However these definitions need further improvement and can not be used in their present shape. The only way to have proper *definition of performance* is to develop **competency dictionaries**.

One of the most vital features of the process is to facilitate the overall performance of the organization. The current performance appraisal is limped in this regard. It fails to identify the areas which are creating the problems for LMK Resources. One of the chief problem areas is in succession planning. There is a dearth of manager and people who can act as team leads (senior software developers) at LMK Resources. The prevailing appraisal system has failed to identify these deficiencies. Thus there is an immediate need to address the succession planning issue at LMK Resources and the appraisal system should be overhauled. Furthermore the pay increments and promotions were more seen as a result of personal prejudice of the super ordinates rather than on the basis of individual's past performances.

Thus it can be safely said that LMK Resources grossly ignored the importance of process in the appraisal system. They failed to understand that process actually is the building block on whose foundation the whole structure, which is the appraisal form, is erected. This ignorance was the reason that predestined the whole appraisal system at LMK Resources to be inconsistent.

Rating errors

In spite of LMK Resource's efforts to maintain a fair, objective, and impartial manner in appraisal, errors in judgment can arise when one individual observes and evaluates another. Psychologists define rating errors technically as, "the difference between the output of a human judgment process and that of an objective, accurate assessment uncoloured by bias, prejudice, or other subjective, extraneous influences."

What makes error rating so difficult to correct is that raters are unaware that they are making them. The result is an employee who is inappropriately retained, terminated, promoted, demoted, or transferred. Thus it is essential to design a performance appraisal that helps in reducing the rater errors.

The performance appraisal process at LMK Resources has the following nine common appraisal errors:

1. contrast effect
2. first impression error
3. halo-horns effect
4. similar-to-me effect
5. central tendency
6. recency effect
7. stereotyping

Contrast effect

It is the tendency of a rater to evaluate people in comparison with other individuals rather than against the standards set for the job. This problem is enhanced by performance measurement traits that do not clearly differentiate between good or bad performance. The appraiser is supposed to does not know what exact level of performance merits a rating of 4 and what deserves a lower rating. Therefore the appraiser normally ends up comparing people performances against one another.

First impression error

The tendency of a manager to make an initial positive or negative judgment of an employee and allow that first impression to colour or distort later information. This error is prevalent because there is no maintenance of critical events during the year. Thus all that is left at the time of appraisal is what impression the rater holds of the individual.

Halo-horn effect

Inappropriate generalizations from one aspect of an individual's performance to all areas of that person's performance. Thus if the rater finds that the appraisee has a habit of coming late to work than that characteristic would clout his judgement of other characteristics of the appraisee. The rater than would rate him poorly against all personal traits.

Similar-to-me effect

It is the tendency of individuals to rate people who resemble themselves more highly than they rate others.

Central tendency

The inclination to rate people in the middle of the scale even when their performance clearly warrants a substantially higher or lower rating. This is the biggest rating error as the appraiser generally tend to place individuals in the middle of rating scales. Thus giving them a rating of either 2 or 3. This tendency is again due to lack of definition of proper performance measures.

Recency Effect

It is the tendency to minor events that have happened recently to have more influence on the rating than major events of many months ago.

Stereotyping

It is the tendency to generalize across groups and ignore individual differences. The multicultural and multinational environment at LMK Resources discourages stereotyping but the nature of appraisal system means that some raters tend to rate along his own biases based on cultural or ethical lines.

CHAPTER FIVE

Conclusion

The appraisal system of LMK Resources requires a complete rework. The current form is too subjective and needs to be made more objective. Yet at the same time one must keep in mind that the organization's culture is relatively open and it has proper professionalism. This is evident form the fact that head of Human Resource Department is one of the shareholders in the company and is involved in strategic decision making policy. For such an organization it would not be difficult to adapt to a radically new appraisal system.

The appraisal form first needs to align performance with organizations goals and subsequently with rewards and promotions. It also needs to address the issue of user involvement in appraisal process. Then the form itself can be made simplified, easy to use and understand. This can be achieved by educating mangers about importance of performance appraisal and training them to become better appraisers. Information Technology (IT) a core competency of the LMK Resources is one of the best tools for handling this new appraisal system. LMK Resources can develop a paper less appraisal system which would be time efficient, easy to maintain and more accurate.

360-degree feedback (sometimes known as multi-sourcing, multi-rater, or full-circle feedback) collects insights and opinions from key stakeholders. "Bosses" are no longer forced to be the sole provider of feedback—peers, colleagues, and direct reports participate as well. Companies have found that this kind of feedback results in better human resource decisions. People trust the outcomes and appreciate a range of insights. 360-Degree Feedback suits the current era of teams.

The days of traditional supervisor-subordinate performance evaluations are numbered. Companies are turning to 360-degree appraisals which pool feedback from both internal and external customers to receive a broader, more accurate perspective on employees.

A 360-degree feedback appraisal can promote individual development and improve individual performance if the feedback is linked to developmental planning, goal setting, and organizational support.

A 360-degree feedback should not be considered as a way for gathering documentation against a single problem employee. Face-to-face discussion with the supervisor is more appropriate for handling individual employee problems. 360 degree should be taken as an individualized or team development process and not as a tool for punishing poorly functioning employees alone; it will not by itself solve all of the problems of a poorly functioning organization. Just as individuals use 360-degree feedback to determine their own development needs, organizations can use aggregate reports to create a profile of training and development needs across the company.

360 degree feedback won't fix a system that doesn't work rather a 360 system collects all the useful information from the employees and constructively uses it for the betterment of the organization as a whole.

CHAPTER SIX

Recommendations

In order to develop a comprehensive Performance Appraisal at LMK Resources steps should be undertaken to improve every facet of the appraisal system. Thus changes are recommended to:

a) Procedures for preparing the employee evaluation form.
b) Evaluation discussion.
c) Training to accurately measure performance.
d) The process.
e) Portion of evaluation form

A) Procedures for preparing the employee evaluation form:

The evaluation document becomes a record of the review but is only one part of the process; the discussion that occurs between the employee and the supervisor is clearly as important. The evaluation form can be completed in the following way:

Appraisee completes the form as a self-appraisal, while the supervisor also completes a separate copy. The completed forms are then reviewed together. While it is understood that the supervisor's form is the official evaluation document, the self appraisal can be used to review the ratings by supervisor in case of complaint from the appraisee.

Advantage:

This approach frequently generates the most productive discussion, as both appraisee and the appraiser will have assessed the performance relative to job standards from their own perspectives. This could highlight the gaps in performance and also show that the performance definitions are not clear.

As review is carried out, the evaluation form is used as a guide in assessing employee's own performance and that given by the supervisor. Keep in mind that the **expected** level of performance is a rating of 2. On a continuum of 0 to 4, a value of 2 demonstrates that appraisee performance is **fully acceptable** and mostly meets the position standards.

B) Evaluation discussion:

The evaluation discussion is intended to focus primarily on an assessment of appraisee performance, while giving him/her every opportunity to respond. Both appraisee and the supervisor should avoid subjective impressions of the performance. Such opinions clearly do not belong in an evaluation review. Every attempt should be made to concentrate on concrete examples of appraisee performance. Should there be performance deficiencies that are brought to attention during this review process, appraisee and the supervisor are encouraged to work together towards designing developmental plans and timetables to improve that performance level.

The end result of the appraisal process is that appraisee and the supervisor have agreed on the appropriate job expectations and standards for that particular position, using objective criteria. While this outcome does not mean necessarily that appraisee agrees with the results of the evaluation, appraisee should feel that he/she can sign-off on the form indicating that the results were adequately communicated to him/her. There is space on the evaluation document for appraisee to add any comments, if he/she so desired.

The days of traditional supervisor-subordinate performance evaluations are numbered. Companies are turning to 360-degree appraisals which pool feedback from both internal and external customers to receive a broader, more accurate perspective on employees.. In IT industry to which LMK Resources cater for change is the name of the game. The organization always has to strive to try something new and innovative to improve employee productivity. The Management at LMK Resources is of the opinion that if employees receive feedback only from their managers, they are acting on limited information. However if employees receive feedback from other people with whom they work (360° feedback), then they can act on a more complete picture of perceptions. **360-degree performance reviews for individuals** helps the organization gain a multi-dimensional view on an employee's performance from feedback provided by peers, supervisors, clients and partners.

Performance evaluation that is not only top down but also bottom up is something new for Human Resources practitioners in Pakistan. No longer is it just the senior executive who is subject to a 360-degree review. Those providing internal corporate services are increasingly being evaluated by their clients as well as their supervisors.

C) Training to accurately measure performances:

A 360-Degree Need for Training:

The most important aspect of the 360-degree review process is the training of the participants. If people don't know what they're expected to do and how to do it, the process can never be successful. Three types of training need to occur: survey training, management training, and employee training.

Survey training involves sitting everyone down and explaining how they are to complete the survey on the person being reviewed. Everyone must understand the importance of the survey, the types of questions; the fact that comments are imperative to the success of the review, and again, they must feel confident that their comments will be kept anonymous.

Management training is necessary to ensure that the process has the desired effect on the employee being reviewed. Critical information delivered in the wrong way can have an adverse effect. Rather than being an instrument of improvement, a poorly delivered review can invoke anger and resentment. This can result in increased tensions and decreased teamwork. Managers and supervisors who deliver the results of a 360-degree review to employees must be trained in how to do it properly.

Employee training will help workers accept the information with an open mind and act on the information that they receive. After all, the reason for using the review process is to help employees improve themselves; they must be shown how to develop an action plan that enhances the good things they are doing and improves their interactions.

The Rating training will train all the raters including the senior and junior management along the defined measurement standards.

D) The Process:

For the purpose of promoting, maintaining and enhancing excellence in job performance, each department shall provide for evaluations of each LMK Resources employee at least once a year. Such evaluations shall permit the continuing assessment of the quality of the individual's performance relative to the required duties described in his/her official job specifications and internal departmental job description (if applicable).

Employee performance evaluation goals (not related to discretionary merit criteria) are set up at the beginning of each year. Along with that the supervisors at the end of each year, will also review employee goals to ensure that the agreed-upon goals from the previous year are:

1. Necessary and achievable;
2. Harmonious with both the employee's internal and generic job descriptions;
3. Fair in relation to the employee's ability and performance; and
4. Stated clearly

Human Resources department at LMK Resources will issue notice to employees that they will be required to provide an Annual Report of Activity and Achievement for the following evaluation cycle. At this time supervisors must also remind employees that the current year's report of Activity and Achievement is to be submitted to the HR Department.

Once a 360-Degree evaluation process has been put into place, here is how it looks like;

- Management at LMK Resources determines who will receive a review. Because the process can take a while—and the organization would not want to overburden their employees by having multiple reviews going on simultaneously—one person in an area goes through the process at a time.

- Subordinates, peers, and supervisors/managers of the employee being reviewed fill out a questionnaire about the employee. They do so in confidentiality, so that they can be more at ease with giving honest answers. The questions ask for a numerical evaluation regarding each performance criteria, and then ask for additional comments/ justification to support the evaluation.
- After the questionnaires have been completed, the results are compiled. Average scores are calculated and the comments are consolidated. The results are then organized into a report that can be reviewed by the manager of the person being reviewed.
- The manager and the employee review the results. As they move through the reports, the manager and employee identify areas for improvement.
- The employee is given a period of time to develop an action plan to deal with the identified areas of improvement.
- The employee and manager meet again to finalize the action plan. The goal is to have a plan in place that they both understand and agree on, and ensure that it includes applicable goals and objectives with a reasonable timeline for completion.
- Once the plan is in place, the employee begins to carry it out. The manager monitors the process to ensure that it is being completed, and offers assistance where needed.
- Based on the final performance review, the human resource conducts Development planning, Succession planning, level determination (on what level the employee is to be promoted) and annual bonuses awarding for each employee.
- The Human Resource Development or HRD along with the Supervisor are responsible for the employee’s development planning. Deciding on what type of training or development the employee needs in order to make him more proficient and resourceful in the workplace.

After a period of time (usually six months to one year), the review process is repeated. The results are compared to the previous review and successful areas of growth are identified as well as any areas that continue to be an issue.

The performance evaluation form to be completed for the probationary employee is the same as the form used for non-probationary employees. On the cover sheet however, the evaluator needs to identify whether the review is a 6-month or final review.

Recognize that some people may never achieve top ratings, regardless of length of service. Watch closely the progress of newcomers and be ready to recognize superior performance if it is achieved.

Evaluation period: Landmark Resource's evaluation cycle is one year, starting from ------ to ------.

Administering the reviews:-

Once the process has been setup and everyone has been trained, the next step is to begin performing reviews. Start by selecting one person and running that person through the complete process. Select someone who is open minded enough to use the information from the review in a positive manner. The best advertisement for the process is for everyone to see it have a positive effect on the work environment.

Repeat the process with a similar person from a different workgroup. This gets more people involved in the review process and helps everyone become more comfortable with it.

As the process proves itself, one can perform reviews more frequently as the workload permits.

E) Portions of Evaluation Form:

The performance evaluation report at LMK Resources will consist of five portions:

1. Objectives – Supervisor 50%
2. Competencies (40%)
    a. Supervisor Review (15 %)
    b. Peer Review (10%)
    c. Internal Client Review (15%)
3. HSE / Community Services / Social Events (5%)
4. Succession Planning and Development (5%)

The weightages of these forms will vary depending upon the hierarchical level of the employee (hereafter called as appraisee) but the number of the forms will remain the same. The employee will identify a pool that will contain the peers he has worked with and the internal clients (people other than his functional business area or outside his immediate project team) that he has helped in the appraisal period. From this pool three peers and two internal clients will be selected, who will appraise the employer. The final selection of the appraisers will be on discretion of the management and their decision will be final and beyond dispute. HSE department will fill out the form concerning the ability of employee to meet the standards set in the HSE policy of LMK Resources and the form concerning the succession planning will be filled out at the time of appraisal. The complete details about the forms are placed in annexure A.

Advantages of Proposed Appraisal System to LMK Resources:

A new 360-Degree process will have the following benefits for the organization.

Improved Feedback From More Sources: a 360-Degree system provides the organization well-rounded feedback from peers, reporting staff, co-workers, and supervisors. This can be a definite improvement over feedback from a single individual, which LMK Resources have been using for many years. 360 feedback can also save managers' time in that they can spend less energy providing feedback as more people participate in the process. Co-worker perception is important and the process helps people understand how other employees view their work.

Team Development: Helps team members learn to work more effectively together. (Teams know more about how team members are performing than their supervisor.) Multirater feedback makes team members more accountable to each other as they share the knowledge that they will provide input on each member's performance. A well-planned process can improve communication and team development at all levels of LMK Resources.

Personal and Organizational Performance Development: 360-degree feedback is one of the best methods for understanding personal and organizational developmental needs and that is what the management at LMK Resources believes, to help people development. For this purpose a Human Resource Development (HRD) has been created to impart training and development to employees.

Responsibility for Career Development: Organizations are responsible for developing the careers of their employees. Multirater feedback can provide excellent information to an individual about what he needs to do to enhance his career. Additionally, many employees feel 360-degree feedback is more accurate, more reflective of their performance, and more validating than prior feedback from the supervisor alone. This makes the information more useful for both career and personal development.

Reduced Discrimination Risk: When feedback comes from a number of individuals in various job functions, discrimination because of race, age, gender, and so on, is reduced. The “horns and halo” effect, in which a supervisor rates performance based on her most recent interactions with the employee, is also minimized.

Improved Customer Service: Especially in feedback processes that involve the internal or external customer, each person receives valuable feedback about the quality of his product or services. This feedback should enable the individual to improve the quality, reliability, promptness, and comprehensiveness of these products and services.

Training Needs Assessment: Multirater feedback provides comprehensive information about organization training needs and thus allows planning for classes, cross-functional responsibilities, and cross-training.

Linkage between Performance and Rewards: At end of the appraisal period each employee will have attained a numerical value out of 100. This gives a very good measure and thus rewards can be linked with this numerical value.

Requirements of Successful Implementation of 360 degree Appraisal System:

- Successful implementation of a 360-degree feedback process by LMK Resources depends on whether the organization truly addresses, and is perceived to address, an important performance strategy or goal in the company. However risky the process maybe, in addition to the benefits of exchanging feedback, it's also a way to get people accustomed to living in a feedback-rich environment. When done well, 360-degree feedback systems can lead to positive change and enhanced effectiveness at the individual, team, and organizational levels.

- Including employees from multiple layers in the feedback process is concrete evidence that their opinions, observations and evaluations are valued by the organization. This will give LMK Resources employees a sense of involvement and empowerment. Creating an atmosphere that accents involvement can foster voluntary collaboration, an element sometimes sacrificed in different traditional situations.

- Link the effort to a strategic initiative or a business need. "For 360 degree feedback to be effective as a stimulus for change, people need to understand its broader purpose" (Lepsinger, 1997, p. 41). So a 360-degree change of attitude has to be induced in the employees to make this system work effectively at LMK Resources.

- Get senior management to participate in and drive the effort. "If the feedback is seen as something the top tells the middle to do to the bottom, it is less likely to have the intended effect" (Lepsinger, 1997, p. 42). The COO needs to determine whether the top-level management at LMK Resources has received the necessary training so that they can pass it on to their respective departments/divisions.

- Emphasize clear and frequent communication about the initiative's purpose and implications for each member of the organization. "The more people understand about why 360 degree feedback is being introduced in the organization and how the information will be used, the more likely they are to support the effort" (Lepsinger, 1997, p. 44). All this will require some necessary training and understanding even at the grass root level.

- Ensure that people see the behaviours that will be measured as important and relevant to their jobs. "It is much easier to gain people's commitment if they believe the behaviours that will be measured are directly related to the effective performance of their jobs" (Lepsinger, 1997, p. 44). The process should be made transparent and sincere efforts should be rewarded so as to induce a sense of achievement.

- Provide ongoing support and follow-up. "People need clarification about what is expected of them after they receive the feedback, as well as ongoing support, if what they have learned is going to lead to action or change" (Lepsinger, 1997, p. 45). For this reason a one-to-one interview session should be conducted so as the employee and the manager discuss their future course of action

- Development of Competency Dictionaries for each level of the functions.

- . Development of a Quality Management Tool (A computer software) which will eradicate the problem of administrative costs and time. Since each employee at LMK Resources has Personal Computers and software development is core competency of LMK Resources, therefore the Quality Management Tool will make the 360 degree appraisal process simpler and highly effective.

ANNEXURES

APPENDIX I – COMPLETE FORMS

PORTION 1 - OVER FACE

This form will be the cover page and will basically ask the appraiser to put in some basic information about the person he is apprising and about himself. The form is followed by the guidelines, which will help the appraiser in passing a more unbiased judgment.

Employee Performance Review

To be filled out by supervisor

Employee name		Position	
Department/Team			
Joining Date			
Review period			
Evaluator's name		Position	

<u>Before you begin,</u> read the following instructions. They will guide you in filling of the form.

1. Try to find some time when you are free from other responsibilities and then fill the form in one sitting. Remember the more times you are interrupted the likelihood of giving a clouted judgment increases.

2. Try being as impartial as possible. Try to evaluate the employee on the basis of his performance throughout the year and not on the basis of most recent occurrences.

3. Give your prudent comments wherever possible as to why you have given a particular rating. Both against when you have rated the appraisee poorly and when you have rated appraise highly.

PORTION 2 – OBJECTIVE BASED

The supervisor would judge the appraisee on two criteria. The first one will be objective based (that is against the quantitative objectives that were set) while the second one will judge the appraisee on the basis of his job traits and behaviors. The weightage assigned to objective vs. the trait part will depend on the hierarchal level and will vary. For the team member level the net weightage assigned is 50 to objective part and 15 to trait-based part.

FORM A: Individual's ability to meet goals.

Key Rating Area	Key Objective	Weight-age	Action plans	Resources Needed	Self Rating	Supervisor Rating	Comments

* The Quality Management tool will take care of the generation of this form.

Terminologies:

The terminologies involved in the form are:

Key Result Areas (KRA) – This defines what are the key responsibilities areas of the appraisee. The KRA should be defined in no more than three words. For example the KRA of a new HR employee can be Personal filing system, which would mean that his/ her responsibility would be to look after the files of all the employees of LMK RESOURCES

Key Objective – This defines what were the main goals or tasks assigned to the appraisee during the appraisal period. The goal of the programmer could be to develop a new code or software.

Weightage – An appraisee will have several goals that he needs to accomplish during the appraisal period. These could be the various projects / project teams that he had worked during the year or it could be the various modules that he might have worked on a single project. The Supervisor in consultation with the appraisee will assign the weightage to individual goals. The weightage will be dependent on the complexity of the goal or the importance of the goal to LMK RESOURCES.

Action Plans – This will contain the breakdown of goals into individual tasks. The Action plans will consist of milestones, timelines and the other criteria that will be set by the appraisee during the planning phase.

Resources Needed – This will list all the additional Resources that might be necessary for the appraisee to accomplish the tasks that have been assigned to him / her during the appraisal period. For example an appraisee might need to do a course on project management to do a better planning job in a project or that he might need a car to go and conduct a meeting with the client.

Self Rating – At the end of the goal the appraisee would be asked to analyze his own performance on a scale varying from 0 – 4, with 0 be given on poor performance and 4 to an excellently performed work.

Supervisor Rating – After the self rating the supervisor would judge how the appraisee has performed on the goal that was assigned to him. This rating will be used in calculating the score on the appraisal form but the appraisee would have the right to comment on the rating given to him by the supervisor.

Comments – The appraisee can give comments about the ratings that the supervisor has given him. This will help in not only acting as an employee feedback but also as a check and balance on the supervisor. In case of unjustified rating, these comments will be used by the tope management to take action against the supervisor.

Scoring

The scoring would depend on three factors:

1) Number of objectives that have been set during the appraisal period.
2) The weightage of each goal.
3) The Net weightage assigned to the objective

$$A = \Sigma\, (\text{rating}_k / 4) * \text{weightage}_k) * \text{Net Weightage}_k$$

A = ________________________________

For a team member who has been assigned three objectives during the appraisal period then the above formula would take the following shape:

PORTION 3 – COMPETENCY MEASUREMENT

This form will judge the appraisee on the basis of his competencies, that is the behavior and traits that he displays at work. The format of the form sent to supervisor, peers and internal clients will be same but the weightages assigned to them will vary depending on the hierarchical level. For the team member the weightages and number assigned to each rater will be as follows:

Rater	Number of persons	Weightages of each	Net Weightages
Supervisor	1	15%	15%
Peers	2	5%	10%
Internal Clients	2	7.5%	15%

The choice of the peers and internal clients will be done in collaboration with the appraisee. The appraisee will be asked to identify individuals that he has closely worked with during the appraisal period. These will include a group of peers (team members he has worked with) and the internal clients (members from other functions / departments that he has helped).

The HR department will pick out two people from the pool who will acts as the “Peer raters” and two people who will act as internal clients. Each of these raters will be sent the following form:

FORM B: Competencies of the individual.

	Never	Rarely	Sometimes	Often	Always
Job Knowledge					
a) Demonstrates sufficient skills and knowledge to perform job.					
b) Transforms the requisite knowledge on job to meet customer's Requirements.					
c) Shows enthusiasm towards learning new skills					
d) Displays ample knowledge about industry needs in general and business needs in particular.					
e) Shows sufficient now how of company policies and procedures.					

	Never	Rarely	Sometimes	Often	Always
Initiative					
a) Contributes, develop and carryout new ideas and methods.					
b) Willingly takes on additional projects and work, when needed.					
c) Seeks and creates opportunities to add value within the market Place.					
d) Readily accepts new/ temporary assignments outside the regular responsibilities.					

	Never	Rarely	Sometimes	Often	Always
Team Work and Cooperation					
a) Supports team decisions even when personally in Disagreement.					
b) Communicates enthusiastic support of team goals and Activities					
c) Works effectively as a team member and encourages teamwork in others.					

	Never	Rarely	Sometimes	Often	Always
Accountability					
a) Displays professionalism in approach to work.					
b) Recognizes and accepts responsibility for all parts of job.					
c) Does not offer excuses for errors or mistakes.					
d) Does not blame others for mistakes.					

	Never	Rarely	Sometimes	Often	Always
Productivity					
a) Produces desired (quality) results in an efficient manner.					
b) Accomplishes and produces better results than co-workers.					
c) Manages Resources (time, manpower, etc) efficiently.					

	Never	Rarely	Sometimes	Often	Always
Self-Confidence					
a) Employee tries to accomplish tasks on his own.					
b) In face of increasingly difficult circumstances he is still able to maintain levelheaded thinking.					
c) He does not shy away from accepting the responsibility when he makes a mistake.					

Interpersonal Skills	Never	Rarely	Sometimes	Often	Always
a) Develops and maintains effective working relationship with all, including co-workers, supervisors and colleagues from other Departments.					
b) Offers appropriate assistance to others.					
c) Maintains appropriate business demeanor and approach					
d) Is a good oral communicator in English.					
e) Displays excellent written communication in English.					

	Never	Rarely	Sometimes	Often	Always
Innovation					
a) Seeks out, recommends and implements new approaches.					
b) Displays creativity in seeking solutions to problems.					
c) Integrates new ideas with current approaches being followed at Work.					

	Never	Rarely	Sometimes	Often	Always
Adaptability/ Flexibility					
a) Reacts to criticism objectively and positively.					
b) Deals with show of anger, frustration and disappointment by others in a mature manner.					
c) Adjusts quickly and effectively to changing conditions.					
d) Tries to seek solution that is acceptable to all.					

	Never	Rarely	Sometimes	Often	Always
Leadership					
a) Provides leadership to other workers and interns					
b) Works well independently and without supervision					
c) Motivates others towards a common goal.					
d) Demonstrates high ethical standards.					
e) Empowers others to find creative solutions to problems					
f) Keeps focus on the big picture while implementing details.					

Scoring:
The scores assigned to each rating are as follows:

Never = 0; Rarely = 1; Sometimes = 2; Often = 3; Always = 4

In the end the

B = [(1 / 160) *(Total # of Never * 0) + (Total # of Rarely * 1) + (Total # of Sometimes * 2) + (Total # of Often * 3) + (Total # of always * 4)] * Net Weightage

Rater	Score	Weightage
Supervisor		15%
Peer 1		5%
Peer 2		5%
Internal Client 1		7.5%
Internal Client 2		7.5%
Net Result		40 %

Company Average: ______________________________

PORTION 4 – HSE / SOCIAL EFFORT MEASUREMENT

This form will evaluate the knowledge and adherence of appraisee to the company's HSE (Health, Safety and Environment) policy. Along with this it would also assess the participation of appraisee in social events and in community service. (3 % allocated for HSE while 2 % for social and community activities.

HSE:-

At the start of the appraisal period it will be assumed that the appraisee has already attained the score that has been allocated to the HSE portion of the appraisal system. That in case of a team member comes out as 3%.

Now for each breach/ violation of the HSE policy an employee will be deducted a fix percentage from the HSE form. HSE department and the team lead will be jointly responsible for assigning this 3% score. The percentages and scoring will be done on the following format:

<u>1% allocated for Health:</u>

*Each breach reduces the score by 33 % *

For example if he is found smoking outside the designated area, then he will be given warning and 33% will be deducted from his performance value for Health portion.

<u>1% allocated for Safety:</u>

*Each breach reduces the score by 33 % *

For example if he is found driving without wearing seat belts then 33% will be deducted from his performance value for Safety portion.

<u>1% allocated for Environment:</u>

*Each breach reduces the score by 33 % *

In case that an appraisee does more than three violations in a particular category among the HSE than .33 points will continue to be deducted from the overall score of HSE points.

Community Work/ Social Events:

For the community work and social events an employee will have to earn his 2% score. This will be done by participating in company designated community service and in social events. Human Resource Department will be responsible for assigning this 2% score.

<u>1 % for philanthropist causes</u>

Participation in a philanthropist or some other community service cause will result in the appraisee's score being increased. 50% designated to taking part in each cause.

<u>1 % for Social Events</u>

Participation in a SOCIAL EVENT (sports, event management etc) will increase the score of the appraisee. 50% designated to taking part in each event.

An appraisee can get a maximum score of 1% from each individual category. Thus the appraisee will have to work both on philanthropist causes and the social events to get the maximum 2% score.

Scoring:

FORM C: Adherence to HSE and Participation in Community / Social Events.

1) HSE Violations:

HSE Violations				
Date	Act	Category		
		Health	Safety	Environment
Reviewed by: ____________ Date: ____________		Net Violations:	Net Violations:	Net Violations:
		Total Violations: ____________		

$C_1 = 3 - (0.33 * \text{Total Violations}) =$ ____________

2) Community Work/ Social Events:

Community Service		**Social Event**	
Date	Activity	Date	Activity
Net Score: ____________		Net Score: ____________	
Reviewed by: ____________ Date: ____________		Total Score (C_2): ____________	

Net Score = C = C_1 + C_2

C = ____________

PORTION 5 – SUCCESSION PLANNING AND DEVELOPMENT

As the name suggests this form will consist of two parts – one related to development and other to succession planning. Each portion will carry the same weightage and in case of the team member it will be 2.5%.

To assuage the need for future leaders and mangers at the company succession planning is given a weightage in the appraisal system. At the time of appraisal each team lead and manger will be asked to groom two subordinates to take the designation of the incumbent in the future. Then these two individuals will be assessed by the board on a quarterly basis as to what they planned to achieve and what they have actually achieved during each quarter. This will put the onus not only on the superior to act as a mentor but will also place responsibility on the individual who has been designated as a future manger/ leader.

The scores to succession planning form will be subjective and they will be given by the top management. The top management will hold a quarterly meeting with the supervisor and the appraisee and during this meeting they will gauge to what extent the appraisee has improved.

The other form will cover the developmental aspect based on the feedback of Human Resource Development department (HRD). During the course of the year the employees will go through a series of courses and related developmental activities. HRD will not only chalk out the developmental program but it will also analyze the outcomes of these training programs. This will not only ensure individual growth but will also ascertain the level to which the training has helped the individual in improving his efficiency at work. In case the appraisee has not been designated for succession the HRD form will carry all the weightage that has been set for the succession planning and development.

The score of HRD will be quantitative/ objective and it will be provided by HRD. The forms for Succession Planning and Development will be as follows:

FORM D: Succession Planning and Development.

Succession Planning:

SUCCESION PLANNING				
Quarter	Skills needed		Action Plans	Results
	Soft Skills	Technical Skills		
Quarter I :			Results: Excellent ☐ Satisfactory ☐ Unsatisfactory ☐	
Quarter II :			Results: Excellent ☐ Satisfactory ☐ Unsatisfactory ☐	
Quarter III :			Results: Excellent ☐ Satisfactory ☐ Unsatisfactory ☐	
Quarter IV :			Results: Excellent ☐ Satisfactory ☐ Unsatisfactory ☐	

D_1 = [(1 / 8) *(Total # of Excellent * 2) + (Total # of Satisfactory * 1) + (Total # of Unsatisfactory * 0)] * Net Weightage

Developmental:

New Skills required	Courses Attended	Results

D_2 = Percentage * Net Weightage

- Percentage to be provided by the HRD.

Net Score = D = D_1 + D_2

D = ________________

PORTION 6 – SUMMATION

Portion	Score	Weightage
FORM A (Objective)		50%
FORM B (Competency)		40%
FORM C (HSE / Community)		5%
FORM D (Succession & Development)		5%
Total		100%
Reviewed by: ____________________ Date: ____________________	Individual's Score : ________________ Peer Average: ____________________	

PORTION 7 – SUPPLEMENTARY FORMS

A - Key Events Form:

The employee irrespective of his designation would have to maintain a journal in which they will record all the significant occurrences and observations that transpired during the work day. This record will be personal and can be used by the appraisee or the rater at the time of appraisal. This form is also the requirement of CMMI certification and will help the company attain the quality standards.

Date	Situation	Actions	Results

Where,

Situation - What were circumstances behind the occurrence of the event. The details should be to the point and brief.

Actions – What were the measures and actions taken to overcome the situation that had transpired? Be specific about the key activities that were carried out to resolve the matter.

Results – What were the results of the actions? Whether the outcome was positive or negative?

B –Recommendation Form from Internal Customers

Evaluator's signature: ___________________________

1. What key activities did the appraisee help you with?

List down a maximum of three activities based on its importance and

1.

2.

3.

2. What do you the biggest strengths of the appraisee that distinguishes him from people in the same position in the company?

1.

2.

3.

3. What do you think are the areas that the appraise needs to develop in order

1.

2.

3.

C –Recommendation Form from Supervisor and Peers

1. What do you the biggest strengths of the appraisee that distinguishes him from people in the same position in the company?

1.

2.

3.

2. What do you think are the areas that the appraisee needs to develop in order

1.

2.

3.

Guidelines

A Short Term: 0-2 years.

B Long Term: 3-5 Years.

C Possible: 7 years and beyond. Should always be completed when longer term potential may be greater than indicated in other columns

Ratings:

O Overdue
R Ready Now
NT Needs time
UL Unlikely to develop to this level.

Estimate of Potential

Potential For	**A (Short Term)**	**B (Long Term)**	**C (Possible)**
Board/			
VP			
Manger			
Team Lead			

Personal Record

a) Years in present grade
b) Performance ratings

Year	1	2	3	4	5
Level					
Promotion					

c) Number of years in various management functions in LMK RESOURCES / outside the company.

Function	**Period**	**Co / BA / Location**	**Outside the company No. of Years**
Marketing/Sales			
Production/Technical			
Finance			
Administration			
Personnel			
Development			
Legal			

Comments by appraiser Committee:

____
____
____
____

APPENDIX II – CALCULATIONS

FORM A:

A = [rating1 / 4 * weightage1 + rating2 / 4 * weightage2 + rating3 / 4 * weightage 3] * 50.

For example, consider the following scenario:

Goals	Weightage	Supervisor Rating
1	50%	3
2	30%	2
3	20%	1

A = [(3 / 4)* 0.5 + (2 / 4) * 0.3 + (1 / 4) * 0.2] * 50
= [0.375 + 0.15 + 0.05] * 50
= 0.575 * 50
A = ***28.75***

FORM B:

B = [(1 / Total # of questions * 4) *(Total # of Never * 0) + (Total # of Rarely * 1) + (Total # of Sometimes * 2) + (Total # of Often * 3) + (Total # of always * 4)] * Net Weightage

Supervisor (weightage = 15%):

Description	Hits
Number of Never	8
Number of Rarely	4
Number of Sometimes	12
Number of Often	12
Number of Always	4
Total questions	**40**

Then the above formula becomes:

B_1 = [1 / (40 * 4) * (8 * 0 + 4 * 1 + 12 * 2 + 12 * 3 + 4 * 4)] * 15
= [1 / 160 * (0 + 24 + 36 + 16)] * 15
= [1 / 160 * (76)] * 15
<u>*B_1*</u> = <u>*7.12*</u>

<u>Peer 1 (Weightage =5%):</u>

Description	Hits
Number of Never	6
Number of Rarely	10
Number of Sometimes	6
Number of Often	10
Number of Always	8
Total questions	**40**

Then the above formula becomes:

B_2 = [1 / (40 * 4) * (6 * 0 + 10 * 1 + 6 * 2 + 10 * 3 + 8 * 4)] * 5
= [1 / 160 * (0 + 10 + 12 + 30 + 32)] * 5
= [1 / 160 * (84)] * 5
<u>*B_2*</u> = <u>*2.62*</u>

<u>Peer 2 (Weightage =5%):</u>

Description	Hits
Number of Never	4
Number of Rarely	8
Number of Sometimes	10
Number of Often	10
Number of Always	8
Total questions	**40**

Then the above formula becomes:

B_3 = [1 / (40 * 4) * (4 * 0 + 8 * 1 + 10 * 2 + 10 * 3 + 8 * 4)] * 5
= [1 / 160 * (0 + 8 + 20 + 30 + 32)] * 5
= [1 / 160 * (90)] * 5
<u>*B_3*</u> = <u>*2.81*</u>

<u>Internal Client 1 (Weightage = 7.5%):</u>

Description	Hits
Number of Never	4
Number of Rarely	8
Number of Sometimes	10
Number of Often	10
Number of Always	8
Total questions	**40**

Then the above formula becomes:

B_4 = [1 / (40 * 4) * (4 * 0 + 8 * 1 + 10 * 2 + 10 * 3 + 8 * 4)] * 7.5
= [1 / 160 * (0 + 8 + 20 + 30 + 32)] * 7.5
= [1 / 160 * (90)] * 7.5
<u>*B_4*</u> = <u>*4.22*</u>

<u>Internal Client 2 (Weightage = 7.5%):</u>

Description	Hits
Number of Never	6
Number of Rarely	10
Number of Sometimes	6
Number of Often	10
Number of Always	8
Total questions	**40**

Then the above formula becomes:

B_5 = [1 / (40 * 4) * (6 * 0 + 10 * 1 + 6 * 2 + 10 * 3 + 8 * 4)] * 7.5
= [1 / 160 * (0 + 10 + 12 + 30 + 32)] * 7.5
= [1 / 160 * (84)] * 7.5
<u>*B_5*</u> = <u>*3.94*</u>

Rater	Score	Weightage
Supervisor	7.12	15%
Peer 1	2.62	5%
Peer 2	2.81	7.5%
Internal Client 1	4.22	5%
Internal Client 2	3.94	7.5%
Net Result	**B = 20.71**	**40 %**

FORM C

1) HSE Violations:

HSE Violations				
Date	Act	Category		
		Health	Safety	Environment
……..	…………………………	……	………..	…………
Reviewed by: ------------		Net Violations: 4	Net Violations: 1	Net Violations: 1
Date: ---------------------		Total Violations: 6		

$C_1 = 3 - (0.33 * \text{Total Violations}) =$ $= 3 - (0.33 * 6) =$ 1.02

2) Community Work/ Social Events:

Community Service		**Social Event**	
Date	Activity	Date	Activity
xxxxxxxx	Xxxxxxx	xxxx	xxxx
Net Score: 1.0		Net Score: 0.5	
Reviewed by: xxxxxxxx Date: xxxxxxxxx		Total Score (C_2): 1.5	

Net Score = C = C_1 + C_2

C = 2.52

<u>FORM D: Succession Planning and Development.</u>

Succession Planning:

SUCCESION PLANNING				
Quarter	Skills needed		Action Plans	Results
	Soft Skills	Technical Skills		
Quarter I :			Results: Excellent ☐ Satisfactory ☐ Unsatisfactory ☐	

Quarter II :			Results: Excellent ☐ Satisfactory ☐ Unsatisfactory ☐	
Quarter III :			Results: Excellent ☐ Satisfactory ☐ Unsatisfactory ☐	
Quarter IV :			Results: Excellent ☐ Satisfactory ☐ Unsatisfactory ☐	

D_1 = [(1 / 8) *(Total # of Excellent * 2) + (Total # of Satisfactory * 1) + (Total # of Unsatisfactory * 0)] * Net Weightage

= 1/8 * [(0 *2) +(2 * 1) +(2 * 0) *2.5

= 0.6125

Developmental:

New Skills required	Courses Attended	Results

D_2 = Percentage * Net Weightage

= 80 % * 2.5 = 2

Net Score = D = D_1 + D_2

D = 0.6125 + 2

<u>D</u> = <u>2.61</u>

Summation:

Portion	Score	Weightage
FORM A (Objective)	28.75	50%
FORM B (Competency)	20.71	40%
FORM C (HSE / Community)	2.52	5%
FORM D (Succession & Development)	2.61	5%
Total	54.59	100%
Reviewed by: ____________________ Date: ____________________	Individual's Score : ________________ Peer Average: ________________	

APPENDIX III – CASE STUDY

NUST Institute of Management Sciences

LAND MARK RESOURCES (LMK RESOURCES): Managing a Change Program in a Competitive Environment

On a Sunday night in June 2005, Shabana Khan, Vice president Operations and the person in charge of the support functions was seated in her office and sipping a cup of coffee. It was Sunday and as usual one of those days of the week that she enjoyed most at work. Sunday's provided her with and opportunity to be away from day to day operations and devise plans to meet future challenges that confronted her organization. In the next room her husband, Atif khan, CEO of the LMK RESOURCES was having a discussion on the telephone with a prospective client. Shabana Khan reflected on the events of the last decade which had seen her organization grow form a small entity into one of the major multinational companies in the Oil and gas sector in Pakistan.

LMK RESOURCES is a Petroleum & Information Technology Company providing solutions and services in front and back office Applications, Infrastructure and Business Process outsourcing globally. LMK Resources was registered in Malaysia but has its largest operational base and Head Office in Islamabad, Pakistan. To meet the requirements of its geographically dispersed customers LMK RESOURCES has branch offices in three continents and in nineteen (19) countries including America, Canada and Dubai.

LMK RESOURCES was founded in 1994, under the name of "Math Tech". The initial organization comprised of 13 professionals, five of which were management people and the rest belonged to the general staff. At the inception Math Tech (LMK RESOURCES) its operations were limited to gathering of Geo data in the shape of maps and other sources of the various terrains in Pakistan. These huge records of Geo Data were named as the Petro-Banks". LMK RESOURCES would charge a consultation fee for sharing this information with the

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Students Agha Mujtaba Hassan and Taimur Aziz Bhatti prepared this case under the supervision of Professor Naukhez Sarwar as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

companies that were involved in excavation of Oil and Gas reserves in Pakistan. The petroleum (oil and gas industry) is divided along two business lines – Upstream Business and Downstream Business. While the conventional companies like Shell, Caltex and PSO were involved in downstream business which involves in excavation, refining and then sale of the petroleum products, Math Tech positioned itself as the provider of services for the upstream business (this involves providing services to the companies operating in downstream business). Math Tech from the very start showed exceptional profits and till today has managed a consistent growth rate of 30% per annum.

In 2001, the majority shares in Math Tech were acquired by Landmark Graphics, which itself is an affiliate of Halliburton. Landmark Graphics provides Digital and Consulting Solutions to Halliburton, which is one of the world's largest providers of products and services to the oil and gas industries employing more than 100,000 people in over 120 countries (For the business areas of Halliburton see exhibit 1). After the acquisition the name of the organization was subsequently changed from Math Tech to Landmark Resources (LMK RESOURCES). The acquisition further enhanced the pace of expansion of LMK RESOURCES with the organization currently employing more than 500 people and consisting of three divisions, namely, IT, Geo-Data and Geo-Technology.

Business Divisions of LMK RESOURCES

Geo-Data is the oldest business area of the LMK RESOURCES and it has been in the organization from its inception. This mainly involves management of huge amounts of data. The data in its raw format is obtained form the surveys carried out in coordination with OGDCL (Oil and Gas Development Corporation Limited) Pakistan. This data is scrutinized and evaluated using the latest technology in form of scanners and computer softwares. From this synthesis and final analysis achieved which gives the details about geological data and possibility of finding oil and gas reserves. This final finished form of data is data stored and on request given to the customer. Because of the nature of the work this Business area is commonly known as the “Bankers” (Exhibit 1).

Geo-Technology (called the Prospectors) Business Area provides a diverse set of solutions for the Oil & Gas Exploration and Production Industry. This involves more on hands jobs in which LMK RESOURCES employees actually go on the site to help the customers in excavations and in operating their softwares. (For details of Each Business area see exhibit 2).

Information Technology (called the Trojans) Business Area provides IT solutions to specific requests of the clients. A computer application (software) is made on the request of the customer. After the application has been developed it is sent to quality assurance people for testing. It is only after successful testing of application that it is sent to the customer. ERP (Enterprise Resource Planning) solutions are generated along the similar lines. After the customer request is received the developer builds up the application which is passed onto the customer after testing has taken place.

Operations within Business Areas

LMK RESOURCES aims to nurture the best breed of Geo-Science and IT Professionals to cater to the requirements of cross-industry and industry specific workflow processes, solutions and services. This enables the company Professionals to develop customized business applications in sync with the changing Global Business requirements.

The structure that the company follows is mostly resembles a functional one. (See Exhibit 3). But there is a lot of cross functional movement in the case of IT professionals who are time and again sent to work in Geo- data and Geo –Technology to help the business areas in dealing with the software intensive technology. The work done within the functions is project specific which are worked upon and managed by teams.

As a concept the employees in LMK RESOURCES are expected to develop trust and respect by working together towards a common goal regardless of personal chemistries and past attitudes. This collective effort not only ensures that employees learn to get along but also to overcome the inadequacy of any Team Member so that he/she can be more productive in the future. Each team is supervised by a Team Leads, who has been given the challenge to organize his/her team members and monitor their workings according to a defined scope of work.

LMK RESOURCES attaches great importance to the quality of products and services that they deliver. Having over 20 dedicated professionals specifically working in the area of quality assurance, LMK Resources is IS0 9000: 2001 certified in Software Development and Data Management & Archival Solutions. The Software development team has achieved CMM level-2 compliance and is aggressively in the process of targeting for CMM level-3 certification.

To deliberate, recommend and take decisions on management and general direction of the Company, the Chief Executive has set up an Executive Committee (EXCOM). The Chief Executive appoints members of the Executive Committee (see exhibit 5 for the key areas of responsibility for EXCOM).

At the time of the acquisition in 2001 Landmark Resources earned a net profit of one million dollars. In 2002 the amount yielded was three Million dollars. This amount rose to five million in 2003 and in 2004 the company netted a profit of eight million dollars. For the current year the company has done its business forecasting for dollars fifteen million, towards which the company is progressing at a steady rate.

Human Resource Department at LMK RESOURCES

Human Resource department enjoys a special status in LMK RESOURCES. From the very start LMK RESOURCES realised that their source of competitive advantage is the technological expertise of their human Resources. Therefore Human Resource department is expected to play a major role in helping LMK RESOURCES in achieving and sustaining its role as the market leader in upstream business not only in Pakistan but also on the global level. The Human Resources Department is actively involved in all the strategic decisions that are made by the executive committee EXCOM. The mantra for the Human Resource Department as set by Shabana Khan is the famous quote of Gandhi – "*We must be the change we want to see in the world".*

The elevated position of Human Resources department is owed to the VP operations Shabana Khan. Because of her strong academic background in Human Resources, Shabana Khan has the necessary expertise in helping aligning the Human resource policy of the company with the overall strategy of LMK RESOURCES. To keep the Human Resources department efficient she is running it along modern lines and has divided it into sub units (exhibit 6).

This prominent role of Human Resources department has become a source of contention in the other departments. There is overall feeling in the organization that the Human Resources people enjoy a lofty status in the organization. Their seems to dissemination from throughout the business divisions of the organization, who feel that Human Resource Department does not deserve this eminent status as after all they are not the bread earners for the organization. Thus in their opinion it is unfair to give prominence to a support function who in monetary terms are a burden to LMK RESOURCES. This opinion is not shared by Shabana Khan who proposes the role of HR to be fundamental for growth and continued viability of LMK RESOURCES.

> "SHRM is an absolute must for any company that wants to operate in current business environment. Human Resources is the source of our competitive advantage and we need a dynamic and fully functional Human Resource department to meet the requirements of the individuals working at LMK RESOURCES."

One of the major reasons for the lack of understanding for Human Resource practices according to Shabana Khan is the oblivion on part of employees to newer concepts of management that have come up over the last two decades. Human Resource department realises that a substantial culture change is required in LMK RESOURCES to make the individuals with in the organization to more receptive to the role of Human Resources in their own divisions.

Recruitment and Selection at LMK RESOURCES

LMK RESOURCES has a very clearly defined policy towards recruitment and selection. There is an
ongoing process through which the functional managers and Human Resource Department plan the need for increased employees within the functions. The functional

mangers communicate the need for a new employee to Human Resource Department along with the justification of why and where the new employee is needed.

There is a dedicated recruitment officer at Human Resource department who keeps the database of all the prospective employees. This database contains the resumes that are both sent through normal mail and of the applicant who apply on line at the company website. From the database suitable candidates are chosen (on the basis of academic record and practical experience). Then these candidates are called in for interviews. There are two set of interviews, the first one is carried out by the supervisor or manger with whom the applicant is supposed to work. If the candidate is successful then he is called back at a later date to have another interview. This interview is with the Human Resources department and the respective Vice president of the division. After the confirmation from the second interview the employee is hired and given a contract of employment. In case the applicant is unsuccessful in the second interview their file is marked and kept, in case that he/she may be considered for employment at a later date.

Because of the clarity in the process the applicant is immediately assigned to his division, where all the Resources that he requires to start contributing to the company are already available. In the initial two weeks each employee spends half of time working in his division and rest of time on an orientation session, where he is told about the various functions of LMK RESOURCES and about the company polices such as HSE, security and other requirements.

Training and Development

After 2002, LMK RESOURCES has been actively involved in innovative development programs for technical personnel. The process includes a strict candidate selection process, up to a year of intense education and practical experience, mentors to guide the employee about the process and segments of the industry. The training is imparted through utilising the very latest technology and learning methods available in the industry. The programs are multifaceted, in that interpersonal and business skills are included in the curricula to compliment the technical aspects of the program and drive the candidates to be fully functional in the global business environment. The employees are trained both locally and outside of Pakistan.

The outcome of the program has been highly successful. In just over two years, LMK RESOURCES has developed over 300 multi-national candidates to serve as high profile Geo-Technical and IT professionals, who have been placed in Landmark Graphics, major energy companies and the IT arena globally.

Employee Compensation and fringe Benefits

LMK RESOURCES offers among the best compensation packages in the industry. The determinate of the base pay of an employee at the time of employment is his academic record and years of experience in the industry. After which the employee receives an increase in the base salary depending upon his performance.

LMK RESOURCES places an employee in a five stage hierarchy system. There are subsets within each hierarchical stage, and each one of these subsets determines both an employee's compensation package and his relative position within the organization. For example a person joining LMK RESOURCES at an associate would move to next stage after he performs to a pre-established criterion. It is only then that he receives a jump in his position and substantial increase in base salary. Otherwise the employee remains in same position and receives a minimal increase (normally catering for inflation).

LMK RESOURCES also offers an end of year bonus to all employees. This bonus system is unique because the amount of the bonus is same irrespective of the hierarchical level in the organization. This policy was devised by Shabana Khan in collaboration with the rest of the members of EXCOM.

> "Initially we thought about giving a two or three base salary bonus to all our employees. But that would have meant huge differential between the bonuses within the organization which we thought as being unfair to staff people, because they too had played an important part in making LMK RESOURCES profitable. Thus we decided that each employee will get an equal bonus in the organization."

The company also offers other fringe benefits, which includes subsidized medical to the employee and his immediate family (wife and children). The company also offers pick and drop services to its employees resident in Islamabad.

Current Issues faced by LMK RESOURCES

LMK RESOURCES is considered as one of the fastest growing organization within Pakistan. The profit margins are registering a consistent upward trend and future is seemingly bright for the company. At the same time the parent company has shown an increased interest in shifting their other facilities to the LMK RESOURCES head office in Islamabad. They are especially interested in setting a permanent training and development office in Pakistan, which will train not only Halliburton's employees but also the employees of other oil companies as well.

But over the years the company has gone through several complicated situations. The shear instability of the environment in Pakistan and the peculiarities in the local culture pose a threat to this burgeoning growth at LMK RESOURCES. This has meant that the Human Resource department has to play a major role in addressing the obstacles in the way of company's growth.

High Turnover Rate in Industry

One of the biggest challenges that the major companies have faced is holding on to their Human Resources. Most of the workers at LMK RESOURCES are what is loosely defined as the "knowledge worker". In the last two decades companies all over the world have seen a decrease in psychological contract with their employees. Thus it is ever more important for the Human Resource department to look for ways to keep the employees happy and loyal with the company.

LMK RESOURCES has taken some major steps for employee harmony and retention. The work environment provided to LMK RESOURCES is unparallel to any other work environments in the industry. The site office is located in one of the key business centres in Islamabad. The place being near the Constituency Avenue offers not only ambience but also security to all the employees (a key issue for the employees of foreign origin). The office layout itself is unique with all see through glass walled offices and sitting areas. LMK RESOURCES tries to breed a culture of open discussion and learning through sharing of information. Employees at each level are encouraged to express themselves and approach the top management (even the CEO) when faced with any problem. LMK RESOURCES has also devised an incentive program called the "Finders Fee". The program encourages all the employees to think out of the box and come up with new business areas or lines of work which the company could explore. The employee would earn a fixed percentage from the revenues of these projects. To keep the employees motivated and to acknowledge excellent performers LMK RESOURCES runs an employee of the month programs. At start of each month the top six performers from across the functions are selected and their posters are displayed in the Cafeteria.

As a result of these measures the employee turnover rate is relatively lower than that of the industry. But the rate of attrition is still significant in software engineers (called the developers in LMK RESOURCES). Shabana Khan comments about this situation as:

> "We take in a lot of fresh graduates from the universities. For these people LMK RESOURCES is just like a continuation of their time at university. LMK RESOURCES offers an unparallel learning environment to these youngsters. The compensation package or the work environment is not the reason for the people leaving LMK RESOURCES. It is rather because of the fact that these youngsters are overly ambitious, and after only a couple of years they either leave for higher studies or to some other software company."

A former employee and a GIK Institute graduate resonates this opinion:

> "Quite honestly I loved my time at LMK RESOURCES. The work environment
> they offered was unparalleled and amazing. The compensation package was good, but after two years of working I just felt that I needed to do my

> Masters. That is why I came to Sweden. Would I go back and work for LMK RESOURCES after my Studies? You bet I would."

Employee Development and succession planning

Ever since acquisition the LMK RESOURCES has grown at an incredible pace. The company has been steadily increasing and has started taking software development projects other than that in the field of the oil and gas. They have started providing user specific software solutions to corporate companies working outside the domain of the oil and gas industry. This has brought forward a key issue – that is alack of future mangers and leaders in side the country.

The problem is two fold – lack of employee development and lack of necessary skills to become the leaders. Shabana Khan blames this problem to the education system and the social setup of the society.

> "It is amazing how people are afraid to express themselves in front of their superiors. I literally have to ask my employees over and over again to speak freely during meeting and open seminars. But they still sit their quietly, providing zero input. I put it down to the way we are brought up; after all we are told not to question what is said by the elders. This philosophy is not restricted to our homes but is also followed in the offices, where the superiors take the role of elders.
>
> Another issue is the lack of ability to develop and communicate ourselves. We offer several training programs but the employees' reaction to these programs is at best lukewarm. The problem is compounded as the employees have to communicate themselves with clients in English, which for a majority of them is one of the biggest obstacles. "

Of late LMK RESOURCES has invigorated their Human Resource Development (HRD) program by hiring an experienced HRD professional who has the experience of working with a couple of big multi-national companies in Pakistan. He has tried to revitalise the employee Development plan and the initial results are very encouraging.

Change Program

To keep the organization moving in the right track the top management realised that the company needed to bring about some major changes in the set up of the company. The company had gone through several changes especially since the acquisition in 2001. LMK Resources had increased the areas in which they offered services. The most substantial move had been to have an IT division which not only facilitated the other divisions on their projects but also positioned themselves just like any other software houses in the IT industry. This had been a fundamental change in the operations of the company.

Human Resources Department had always played a major role in managing the company through the period which had seen the company grow form 100 to 500 employees. But the Human Resources department realised that some major changes were required in multi-facet areas of the company. Thus LMK RESOURCES decided to embark upon a change program under the guidance of the VP Operations Shabana Khan. It was recognised that the change program will result in changing some core values and bring around some far-reaching changes.

At the inception of the change program a clear team structures were formulated which were strictly adhered to throughout the company. This hierarchical structure for the project teams incorporated a more formalised reporting mechanism. (See exhibit 4). This was a break from the traditional culture which had always been more informal and relied on the getting spur of the moment approvals on projects and Resources. While traditionally decisions were made using telephones and the two minute meeting standing in the corridors the new system emphasised on detailed and in depth meetings. To quell the fears of system getting overly bureaucratic a localised intranet network called `Lotus' was used. This meant that reporting was done in a paperless environment and flow of information was done at a brisk rate. All the mangers extensively used Lotus to communicate among them selves and with the team. LMK Resources also had an open door policy for its employees who needed to get an urgent issue addressed. If any employee faced such an issue he was encouraged to go straight to either Shabana Khan or the CEO Atif Khan. The more formalised reporting mechanism was not only meant to help the company attain greater efficiency but it was a requirement of the quality certification like CM-I and ISO 9000:2001.

LMK Resources also tried to bring about a cultural change in the organization. Efforts were made to foster closer bonding not only with in functional units but across different functions throughout the organization. To achieve this LMK Resources organised excursion trips, picnics, social and sporting events. The layout of office which used see through glass walls also depicted openness on the part of management. Through it management portrayed that they were just like all other employees of the LMK Resources. A common Cafeteria was shared by top management and the rest of employees of LMK Resources, where they used to intermingle freely during lunch and coffee break. In the middle of The Cafeteria two pool tables were placed and the employees were encouraged to play a game or two during breaks from work. At one corner a designated smoking room was constructed where a lot of informal exchanges of ideas took place between LMK Resources employees and the top management.

Along with these activities the Change program had brought in major changes in the company - revamping the operational structure and bringing in a new Performance Management System. In the revamping of the operational structure of the company brought a new system of employee growth. Initially the company had followed the traditional approach of vertical ascendancy for employee growth. Thus the team members who performed excellently would be promoted to team lead and ultimately into management position. But the company came to realisation that this approach had two major flaws.

Firstly, because of the nature of work most of the employees were knowledge workers who had strong grasp on technological aspect of the work. While most of them were excellent in their field of work but they lacked the capabilities that were necessary in becoming good mangers. However because of setting of growth criteria as vertical ascendancy all the employees wanted to become mangers. Shabana Khan commented about this issue:

> "There exists a manger phobia in our organization, ever one wants to be a manger."

Secondly, the traditional approach to growth promoted rivalries among team members and across various functions. Because of limited number of managerial positions available each employee perceived his peers as a potential threat to his growth. This was a major problem as it ran contradictory the team based environment that LMK Resources wanted to prevail in their company.

To solve this issue LMK Resources devised a dual system of Horizontal as a well as Vertical growth. The compensation and reward package was more oriented towards the horizontal growth and not vertical growth. This was done by creating a *five Level* horizontal growth model. An employee was placed in a particular level based on his work performance, work experience and academic record. In case of good performance during the appraisal period the employee would be promoted to the next horizontal level (See exhibit 7). The increase in level would mean an increase in the pay and other fringe benefits. For example an employee who had joined LMK Resources at an Associate Level (Entry level) would be promoted to level 1.1.

This new system meant that employees more geared towards technical skills would continue to excel in their field and would not see themselves as becoming stagnant. This system would also allow the company to align the training and development activities of employees towards the requisite skill sets, that is, management oriented individuals sent on management courses while technically oriented employees towards technical courses.

Human Resources department knew that in order to make the new system effective an innovative Performance Management System (PMS) was required. The old PMS relied on yearly appraisal which judged the employee more on the basis of his behaviours and traits.

EXHIBIT 1: The Business Areas of Halliburton and LMK RESOURCES

<u>The Business Areas of Halliburton</u>

- Drilling and Formation Evaluation
- Fluid Systems
- Production Optimization
- **Digital and Consulting Solutions**

These segments offer a broad array of products and services to downstream oil and gas customers worldwide

<u>The Business Areas of LMK RESOURCES</u>

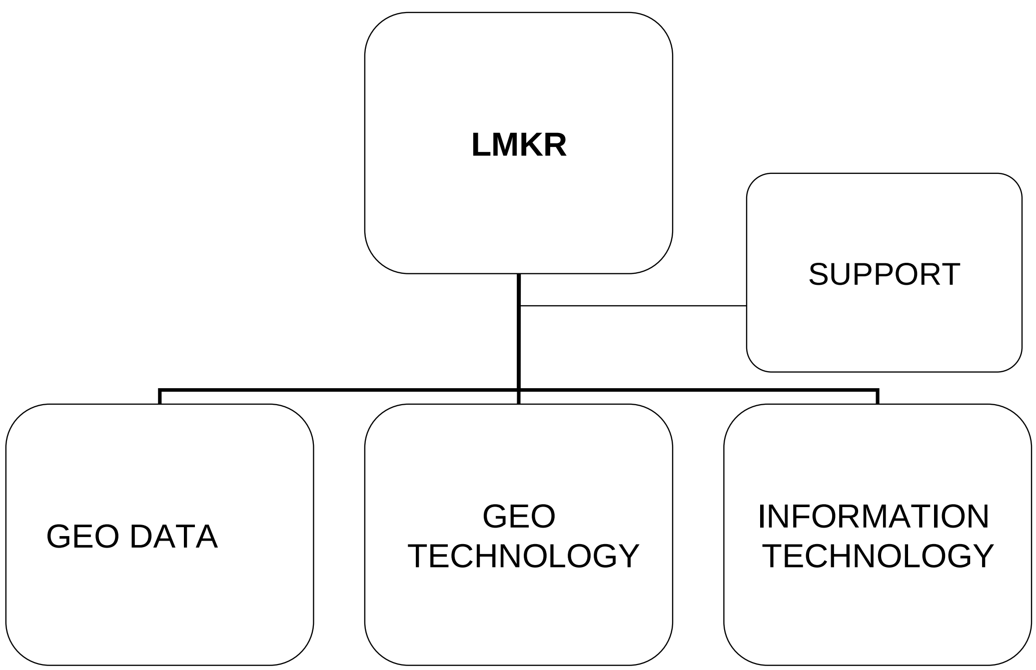


EXHIBIT 2: Specific Work of Each Business Area at LMK RESOURCES.

- GEO – DATA:

Seismic scanning and digitizing; Document scanning and imaging; Physical data management and Online Data Management solutions using Petro-Bank technology; National Data Repository and Technology Implementation; Data Brokerage and promotional services.

- GEO – TECHNOLOGY:

Seismic Data Processing and Reprocessing; well log scanning, digitizing, processing and Interpretation; Integrated Geological and Geophysical services; Landmark and Geo-Graphics Software support and consultancy; Onsite Technical services and specialized scouting services.

- INFORMATION TECHNOLOGY:

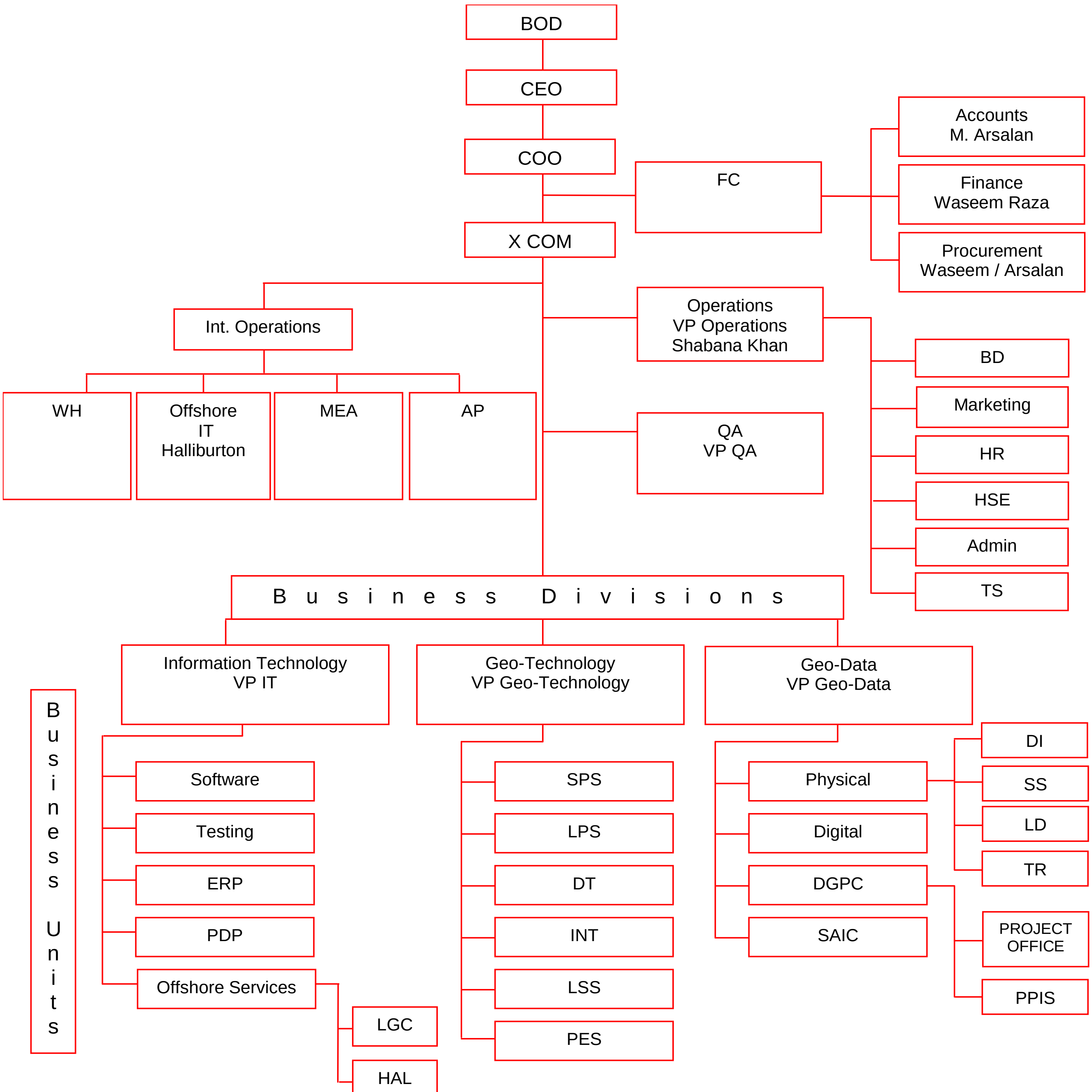
ISO certified software house, we specialize in Enterprise Automation solutions; Automated Testing and Quality Audits; Domain Testing; customized GIS solutions; Geo-IT services; Database solutions; Network Management services, web and portal services (called the Trojans).

- SUPPORT FUNCTIONS:

The following departments act as the support functions who facilitate the three business areas. These departments are as follows:-

1. Human Resources (HR),
2. Finance
3. Marketing
4. HSE (Health, Safety and Environment)
5. Business Development
6. Administration
7. TS

EXHIBIT 3: **Organizational Structure of LMK RESOURCES.**



*Abbreviations:-

WH (Western Hemisphere); MEA (Middle East); AP (Asia Pacific)

EXHIBIT 4: Reporting Flow of Teams and Team members

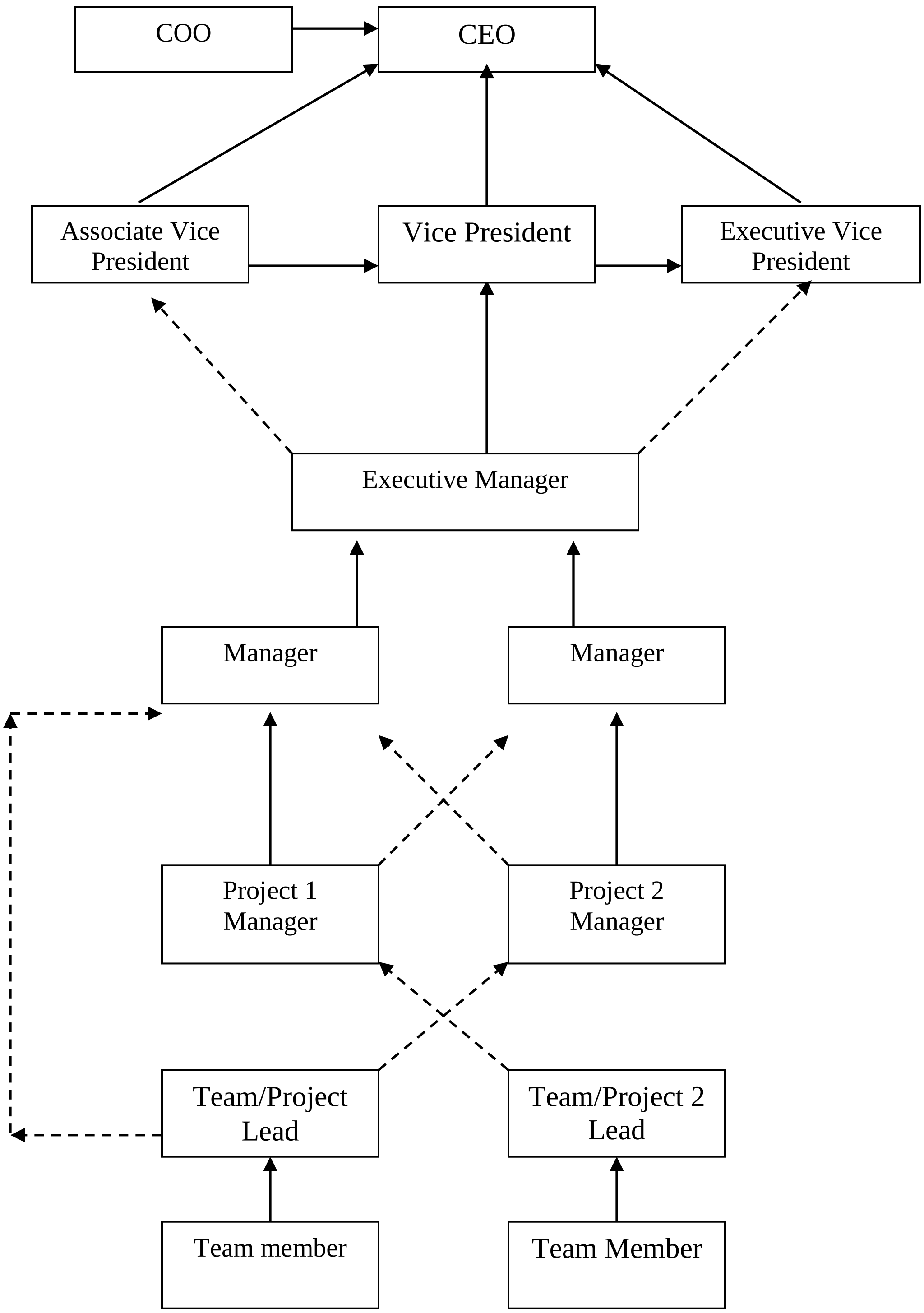


EXHIBIT 5: Role of Executive Committee (EXCOM) in LMK RESOURCES

EXCOM is responsible for

- Defining policies of the Company;
- Budgeting;
- Approval of marketing and operational strategies;
- Powers to select members of Management Team ;
- Settle grievances and other employee related issues;
- Formulate of plans for business development, operational strategies, budgets and business process policies;
- Monitor business targets, forecasts and profitability.

Members of EXCOM currently include:

- CEO
- VP Operations
- VP Geo – Data
- VP Geo – Technology
- VP Information Technology

EXHIBIT 6: HUMAN RESOURCE DEPARTMENT AT LMK RESOURCES