

Performance management systems comparative study of Mobilink &
Paktel.

By
Meena Munawar Khan.
MBA2K2

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EXECUTIVE SUMMARY

Managing employee performance is always critical and most debated upon subject in human resource management. An effective performance management system sets new employees up to succeed, so they can help your organization succeed. It provides enough guidance so people understand what is expected of them. It provides enough flexibility and wiggle room so that individual creativity and strengths are nurtured. It provides enough control so that people understand what the organization is trying to accomplish.

Sadly, in actual these theoretical guidelines are seldom followed by organizations, and even if followed most of them are not in their entirety but as per the company culture. The need is to understand that performance management is a comprehensive work system that begins when a job is defined as needed. It ends when an employee leaves your organization.

Many companies are using the term “performance management” as a substitution for the traditional appraisal system. Same is the case with the two companies under study. Both have result oriented work systems. However none of them have been able to avoid the flaws of the system and it is no more than an annual ritual of appraisal. Both follow result based work systems and the main objective is to mould the performance of the employees towards the result. For that matter, companies should understand that to keep the employees performance aligned to the company mission and vision, they should be satisfied as no one performs, for the organization, however, if his or her own mission and vision are not accomplished as well.

However, the basic idea of this research work is to analyze deeply the performance management practices that the organizations follow to manage the performance of their employees, underline the discrepancies in the system and on the basis of these make best possible recommendation to the system.

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Chapter 1

Introduction

1. Research Question

Over the past two decades there has been a profound shift in thinking about the role that people play in the success of the business, with a budding view that the management of people is a key organizational capability and one which should be highly integrated with the strategic aims of the business. That is the main reason that human resource management practices are getting more significance in the existence of the organizations.

In Human Resource Management performance management continues to be a subject of interest and importance to human resource specialists. The whole process provides an opportunity for the employee and performance manager to discuss development goals and jointly create a plan for achieving those goals. Development plans contribute to organizational goals and the professional growth of the employee. The planning process also involves consideration of the emerging company environment.

For decades, performance appraisal has received considerable attention in the literature, from both researchers and practitioners alike. Many authors maintain that there is a considerable gap between theory and practice, and that human resource specialists are not making full use of the psychometric tools available. To support their claim, these authors cite surveys of practitioners concerning current performance appraisal methods and use.

For organizations to be successful in the true sense, the employee behavior should be aligned with the organizational goals and hence facilitate in achieving the results. Inappropriate employee behavior is a critical issue for managers to understand and address. The performance of any organization is based on the behaviors of their

employees. Inappropriate behavior by employees will eventually cause significant performance problems.

The identification and change of inappropriate employee behavior is quite complex. But it can be accomplished with a systematic approach. Individuals arrive at organizations with variant motivations, experiences, and values. These natural individual differences tend to direct behavior in numerous, often divergent directions. If an organization is to direct behavior toward the accomplishment of a focused mission, and is to present itself to those it serves as a unified form, mechanisms must be created for reducing the variability of employee behavior. Performance appraisal system is one of the best means to judge the alignment of employee behavior with the organization and the degree to which it is facilitating goal achievement. It is by this means that organizations can easily identify the performance differences in the employees and hence recognize need for training and development. Performance data in addition provides relevant information required for validating selection methods, in assessing whether selection methods are bringing high performers into the organization.

How performance Management systems play a vital role in the success of large business organization? How can various pitfalls in the appraisal process be avoided in order to make it effective?

A number of interesting and thorough empirical studies of human resource management had been carried out which provided some evidence that the human inclination to judge can create serious motivational, ethical and legal problems in the workplace and which also provide insight for the study being conducted. Without a structured appraisal system, there is little chance of ensuring that the judgments made will be lawful, fair, defensible and accurate.

2. Research Objective

The objective of this paper is to carryout an in-depth analysis of the performance appraisal process within the performance management system, whereby examining the discrepancy found in the importance given to the performance management process in the field of human resource management (the theory) and its actual level of success in managing employee behavior and achieving organizational goals.

In addition, it will also try to assess whether the matches between behavioral and result influences in the performance appraisal actually predict organizational effectiveness. In other words through this research paper an attempt would be made to study the relationship between performance appraisal processes the reward system and employee development. It will also try to look closely to its links with other important areas of human resource management, in particular with selection, motivation, and succession planning.

Soft and hard models are two conceptual models which frame much of the understanding of Human Resource Management. The soft model emphasizes individuals and their self-direction and places commitment, trust and self regulated behavior. In contrast the hard model stresses the rationalization of strategic fit and places emphasis on performance management and an instrumental approach to the management of individuals.

There is a general tendency to believe that if something cannot be quantified, it does not exist. The same is the case with soft factors which are ignored in the face of hard factors. The emphasis of the study will be to know how much the soft factors are considered imperative in maintaining the hard factors, and how can they be maintained with the help of performance management system.

The scope of the research is limited to the study of performance appraisal process as part of the performance management system; in addition employee development would be studied as part of the performance appraisal process. However, some of the aspects cannot be touched upon fully due to the lack of information provided by the companies.

3. Research Techniques

The research techniques to be adopted for the purpose of this study are as follows

Primary Data Collection:

- Formal Interviews
- Random Surveys

The surveys will be conducted on employees of the companies which will be studied in depth

The formal interviews will include people from the top management

Secondary Data Collection:

- Internet Search
- General Search through Meta search engines
- Periodicals
- Magazines, Articles & Newspapers
- Reference Books & other Literature

For the purpose of Secondary data collection the company related data will be considered in detail.

4. Limitations

A large part of the research is to be conducted through correspondence and via the internet. Such types of methodology in some cases fail to provide much realistic evidence and are based on conceptual studies.

One of the major limitations while carrying out the research will be the lack of cooperation on part of the management of the company (chosen to be studied) in

supplying the data pertaining to the study. As in most organizations it is usually considered a disruption in the daily functioning to entertain the students.

Besides Performance appraisal has always been considered a very confidential document and organizations are unwilling to share any information regarding that. Even the employees are hesitant to share their true feelings regarding their appraisal as they are scared of their management.

Chapter 2

Literature Review

2.1 Definition of Performance Management

Performance management is the systematic process of monitoring the results of activities; collecting and analyzing performance information to track progress toward planning results; using performance information to inform program decision-making and resource allocation; and communicating results achieved, or not attained, to advance organizational learning .

2.2 Background

The history of performance appraisal is quite brief. Its roots in the early 20th century can be traced to Taylor's pioneering Time and Motion studies. But this is not very helpful, for the same may be said about almost everything in the field of modern human resources management. As a distinct and formal management procedure used in the evaluation of work performance; appraisal really dates from the time of the Second World War - not more than 60 years ago.

Yet in a broader sense, the practice of appraisal is a very ancient art. In the scale of things historical, it might well lay claim to being the world's second oldest profession! There is, says Dulewicz (1989), "... a basic human tendency to make judgments about those one is working with, as well as about oneself." Appraisal, it seems, is both inevitable and universal. In the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others, including subordinates, naturally, informally and arbitrarily.

The human inclination to judge can create serious motivational, ethical and legal problems in the workplace. Without a structured appraisal system, there is little chance of ensuring that the judgments made will be lawful, fair, defensible and accurate. Performance appraisal systems began as simple methods of income justification. That is, appraisal was used to decide whether or not the salary or wage of an individual employee was justified. The process was firmly linked to material outcomes. If an employee's performance was found to be less than ideal, a cut in pay would follow. On the other hand, if their performance was better than the supervisor expected, a pay rise was in order.

Little consideration, if any, was given to the developmental possibilities of appraisal. It was felt that a cut in pay, or a rise, should provide the only required impetus for an employee to either improve or continue to perform well. Sometimes this basic system succeeded in getting the results that were intended; but more often than not, it failed. For example, early motivational researchers were aware that different people with roughly equal work abilities could be paid the same amount of money and yet have quite different levels of motivation and performance.

These observations were confirmed in empirical studies. Pay rates were important, yes; but they were not the only element that had an impact on employee performance. It was found that other issues, such as morale and self-esteem, could also have a major influence. As a result, the traditional emphasis on reward outcomes was progressively rejected. In the 1950s in the United States, the potential usefulness of appraisal as tool for motivation and development was gradually recognized. The general model of performance appraisal, as it is known today, began from that time.

2.3 Traditional Appraisal

Performance appraisal may be defined as a structured formal interaction between a subordinate and supervisor, that usually takes the form of a periodic interview (annual or semi-annual), in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development.

Traditional reviews put managers into the position of uncomfortable judges, ostensibly telling employees how their work either fit the bill -- or didn't. Possibly because of this, most traditional reviews are no better than the manager's off-the-cuff judgments, and some may be illegal. Michael Rigg, of Fluor Daniel, (quoted in *Industrial Engineering*, August 1992) said that traditional evaluation methods damage teamwork because of the focus on supervisors evaluating individuals; they may "strip people of their sense of control." Rigg also said that evaluations should provide feedback to individuals so problems may be corrected and higher performance can be rewarded.

In traditional reviews, the manager tells the employee how they measure up, assuming that they both perceive the employee's job the same way. New forms of review may help managers, employees, peers, and customers to gain a mutual understanding of what they mean by "good performance." This may improve the work of everyone involved, while clearing up disputes. Most managers tend to rate their employees a bit higher than they would normally deserve, leading some companies to use ranking systems - but ranking has its own problems.

Generally, traditional reviews are good at sniffing out excellent and very poor employees, but don't differentiate well among the vast middle ground. This is a problem when reviews are used as the basis for salary adjustments and bonuses; unless only people at the extremes are treated differently (e.g. everyone gets a 4% bonus except very poor employees, who get nothing, and excellent employees, who get 6%).

With traditional reviews, employees are rated by a single person, who may be biased or have an incomplete view of their work. Alternative methods provide a more balanced view. Other problems with traditional evaluation systems include rater carelessness; use of appraisals for political or personal reasons; the halo effect, where an employee's strengths in one area are spread to other areas; and leniency and strictness errors, where all employees are rated either high or low. Newer systems avoid most of these

2.4 Modern Appraisal

In many organizations - but not all - appraisal results are used, either directly or indirectly, to help determine reward outcomes. That is, the appraisal results are used to identify the better performing employees who should get the majority of available merit pay increases, bonuses, and promotions.

By the same token, appraisal results are used to identify the poorer performers who may require some form of counseling, or in extreme cases, demotion, dismissal or decreases in pay. (Organizations need to be aware of laws in their country that might restrict their capacity to dismiss employees or decrease pay.

Whether this is an appropriate use of performance appraisal - the assignment and justification of rewards and penalties - is a very uncertain and contentious matter.

2.4.1 Strategic Congruence

In many companies there's no mechanism to cascade and instill the strategy down through the organization and to ensure that it is actually implemented and the workforce is aligned to it. However, in modern appraisal process one major difference is that companies try to have a strategic balance between the performance management system and that of a company strategy. There is this new phenomena introduced known as Strategic Performance Management which is: Companies are comprised of unique individuals who share natural abilities, personality traits and motivations in different combinations and quantities. These differences can make executing strategic objectives a challenge. However, capitalizing on your team's common attributes and motivations can deliver significant bottom-line results.

Strategic Performance Management is not about scheduling annual performance reviews with employees that often do not happen, have no defined outcome and/or follow no specific process. It is also not about inventing control mechanisms for employees that

prevent them from using creativity and innovation to achieve outstanding results for the company.

Strategic Performance Management is an on-going process of the alignment of individual objectives to organizational objectives to ensure the optimum performance of the company in regards to its chosen strategy. These objectives are not day-to-day tasks that an employee has to perform. It's the big picture of how the employee's role fits in the organization and it gives the employee the chance to get a better understanding of the company.

A key purpose of Strategic Performance Management is to align the entire organization behind the objective of turning the strategic plan into effective action. Most companies have processes in place for planning, budgeting, and other critical management activities, but all too often these processes are not linked together or integrated throughout the organization. To a great extent, developing more effective performance management means identifying the gaps and disconnects and then creating links to bring the processes - and the organization-together.

2.4.2 The Link to Rewards

Recent research (Bannister & Balkin, 1990) has reported that appraisees seem to have greater acceptance of the appraisal process, and feel more satisfied with it, when the process is directly linked to rewards. Such findings are a serious challenge to those who feel that appraisal results and reward outcomes must be strictly isolated from each other.

There is also a group who argues that the evaluation of employees for reward purposes, and frank communication with them about their performance, are part of the basic responsibilities of management. The practice of not discussing reward issues while appraising performance is, say critics, based on inconsistent and muddled ideas of motivation.

In many organizations, this inconsistency is aggravated by the practice of having separate wage and salary reviews, in which merit rises and bonuses are decided arbitrarily, and often secretly, by supervisors and managers.

2.5 The Performance Appraisal Process

As one of the most important aspects of the employment process is called performance management (more commonly called performance appraisal). The purpose of this process is to ensure that an organization provides high quality service to meet the service needs of the customers. This is achieved by promoting employee competence. It should ensure that all new employees are competent to perform the basic responsibilities of the job and that all current employees continue to learn new information and develop new skills.

While many people view the performance appraisal process as beginning after 6 or 12 months of employment and view it as a review of how the employee has performed for the previous period, a successful performance management process begins during the hiring process. It continues as an ongoing cycle from recruitment, through hiring, orientation, and goal setting and on to performance appraisal and evaluation.

The performance management process starts with employee planning and ends with an evaluation of employee progress. Managers and employees however meet to discuss planning and goals throughout the year.

Different Methods of Performance Appraisal are used by organizations, however whatever method of performance appraisal an organization uses, it must be job related. Therefore, prior to selecting a performance appraisal method, an organization must conduct job analysis and develop job description.

The formal process of performance appraisal starts from the writing of Job description as before a job vacancy is advertised, a job description is completed. After the employee is hired, this job description becomes the job assignment and forms the basis of the job function description on the *Performance Evaluation Form*.

2.5.1 Job Description

Writing a job description is a process of systematically collecting, analyzing, and documenting the important facts about a job. This process is called *job analysis*. The job description provides a basis for job-related selection procedures and performance standards

In addition to this the assignment of responsibility for the accomplishment of goals and strategic initiatives is related to the essential functions of the job description. Therefore it takes into consideration the strategic plan which is composed of a mission statement, identified goals related to the organization's mission, as well as strategic initiatives necessary to accomplish each goal. Individual employees will each make a contribution to the realization of goals and may be responsible for accomplishment of specific strategic initiatives in support of those goals. To ensure that initiatives are completed, those responsible for particular strategic initiatives are usually named and due dates specified.

The task of the performance manager, is to consider the annual goals and strategic initiatives for which the employee has responsibility when describing the position, setting standards of work performance, giving feedback about performance, doing the annual performance appraisal, and planning for employee education, training and development.

Effectively developed job descriptions are communication tools that are significant to the organization's success. Poorly written job descriptions, on the other hand, add to workplace confusion, hurt communication, and make people feel as if they don't know what is expected from them.

2.5.2 Performance Standards

The performance standards provide a benchmark against which to evaluate work performance. While the job description describes the essential functions and the tasks to be done, the performance standard defines *how well* each function or task must be performed in order to meet or exceed expectations. Standards of performance are usually developed in collaboration with the employees who do the tasks or functions and even explained to new employees within the first month on the job.

Performance expectations are the basis for appraising employee performance. Written performance standards let you compare the employee's performance with mutually understood expectations and minimize ambiguity in providing feedback.

Having performance standards is not a new concept; standards exist whether or not they are discussed or put in writing. When you observe an employee's performance, you usually make a judgment about whether that performance is acceptable. How do you decide what's acceptable and what's unacceptable performance? The answer to this question is the first step in establishing written standards.

Standards identify a baseline for measuring performance. From performance standards, supervisors can provide specific feedback describing the gap between expected and actual performance.

2.5.3 Key Areas of Responsibility

Performance standards are written for each key area of responsibility on the employee's job description. Standards are usually established when an assignment is made, and they are reviewed if the employee's job description is updated. The discussion of standards includes the criteria for achieving satisfactory performance and the proof of performance.

The terms for expressing performance standards are outlined below:

Quantity: specifies how much work must be completed within a certain period of time, e.g., enters 30 enrollments per day.

Quality: describes how well the work must be accomplished. Specifies accuracy, precision, appearance, or effectiveness, e.g., 95% of documents submitted are accepted without revision.

Timeliness: answers the questions, By when? , How soon? , or within what period? , e.g., all work orders completed within five working days of receipt.

Effective Use of Resources: used when performance can be assessed in terms of utilization of resources: money saved, waste reduced, etc., e.g., the computer handbook project will be completed with only internal resources.

Effects of Effort: addresses the ultimate effect to be obtained; expands statements of effectiveness by using phrases such as: so that, in order to, or as shown by, e.g., establish inventory levels for storeroom so that supplies are maintained 100% of the time.

Manner of Performance: describes conditions in which an individual's personal behavior has an effect on performance, e.g., assists other employees in the work unit in accomplishing assignments.

Method of Performing Assignments: describes requirements; used when only the officially-prescribed policy, procedure, or rule for accomplishing the work is acceptable, e.g., 100A Forms are completed in accordance with established office procedures.

2.5.4 Observation and Feedback

From the standpoint of performance management, observation involves noticing specific facts, events, or behaviors related to work performance and the results of work performance. Observations are the raw data upon which effective performance feedback may be based. The purpose of observing employee behavior and the results of work performance is to identify and describe it in order to help the employee be successful and continue to develop his or her skills, knowledge, and experience.

When you make observations about the results of employee performance, the output employees generate and the impact of their work, you gather additional information to make both praise and constructive feedback more effective. Observations should be the basis for feedback, and may also suggest actions which might be taken to support, develop or improve performance.

Feedback based on observed or verifiable data is more likely to influence employee behavior than feedback which cannot be supported by firsthand information. It is not always possible to observe employees at work, but you should build occasions to observe their performance into your work day. In that way, you provide opportunities to understand what they do, to talk with and get feedback from them, to see employees as they perform at their best and to recognize areas in which their performance could be improved.

2.5.5 Performance Appraisal

Typically, the performance appraisal for career employees is due one year from the end of the probationary period or before the merit cycle. Well before that date; begin to prepare for the appraisal. The preparation process involves review and data gathering, holding a preliminary meeting with the employee, and employee preparation of a self-appraisal.

2.5.6 Performance Development

An important component of the performance management process is development of employees' work-related skills, knowledge and experience. The development process offers another opportunity for you and your employee to work collaboratively to improve or build on his or her performance and to contribute to organizational effectiveness. Development of employee skills, knowledge and experience is essential in today's rapidly changing workplace. In order for the organization to remain competitive and to retain its

reputation for excellence, employees should have up-to-the-minute information and the ability to use new technologies, adapt to organizational change, work in flatter organizations in which cross-functional skills and knowledge are required, and work effectively in teams and other collaborative situations. Employees, too, recognize that it is essential for them to continue to learn so that they will be effective in their current jobs and able to move into other positions or accept new responsibilities as circumstances demand.

Development options which improve employees' effectiveness in their current jobs are called "position-related." Development opportunities for career advancement within the organization are called "career-related." Activities, not job or career-related, which employees undertake out of personal interest are not included in a performance development plan.

It is the task of the performance manager that to allow employees to set career goals that are consistent with their skills, knowledge, experience and interests by providing feedback based on your observations and assessment of their abilities, readiness and potential. The assessment should be based on the actual experience and observation of employee performance and behavior rather than on assumptions and personal biases.

Performance managers support employee development when they assign employees roles or tasks which challenge them and provide the opportunity to grow. Base decisions about development options and opportunities on a careful assessment of the employee's readiness to accept additional or new responsibilities or challenges. Consider delegating a responsibility that is currently your own which is appropriate to the employee's classification and development. Provide on-the-job training and refer employees to classes, workshops, and other learning and development opportunities, and recommend employees to serve on committees, task forces or cross-functional teams.

A necessary condition for the effective management of performance appraisal system in any organization is the need to clarify and communicate to all concerned, the objectives that the system intends to achieve. Everyone in the organization especially the key

decision makers should be fully aware of precisely what objectives the system of performance appraisal is expected to achieve, and the priorities within these objectives.

The culture of the organization clearly affects appraisal relationships. The only possible way for organizations, to minimize the possible conflict among appraisal objectives, is to emphasize on climate setting that will facilitate achieving the objectives that an appraisal system intends to achieve. Thus what needs to be done is to encourage managerial styles that will lead to openness and frankness in relationships as a condition for establishing an effective performance appraisal system. The Indian companies need to realize that the relationship between organization culture and performance appraisal system is a two way process implying that they can successfully use their performance appraisal system to bring about cultural change.

2.6 Performance Appraisal Method

There are different kinds of methods used to evaluate employee's performance. However all these methods differ in their degree and amount of usage. The organizations opt for any of them depending on their strategy and nature of business. Each defines a new type of appraisal.

2.6.1 Behavior-Based Approaches

This method of performance appraisal is designed to assess behavior needed to perform job successfully. These approaches tend to use specific performance factors to evaluate staff. Measures of performance can be either quantitative or qualitative.

2.6.1.1 Conventional Rating Scale

These scales use words or phrases to describe the degree to which certain behaviors or characteristics are displayed. Categories for behaviorally anchored scales can be created from job descriptions. If there are no appropriate behaviors or characteristics within job descriptions, supervisors should work with staff to determine what behaviors and characteristics would be most useful in an appraisal setting.

2.6.1.2 Behaviorally Anchored Scale

In this approach, broad categories of practice are identified, ideally through collaborations between supervisors and staff. Specific job behaviors are then linked to the categories. Measures of staff member behavior are rated on a scale in relation to specific behavior items, such as "understands department functions." Categories such as these may be useful in framing evaluation criteria in this approach to appraisal.

2.6.1.3 Behavioral Frequency Scale (BOS)

In this approach desired behaviors are described and the staff member is evaluated on how often those behaviors occur.

2.6.1.4 Weighted Checklist

It is another way of approaching behavior-based appraisal. This method provides a list of performance related statements that are weighted. Staff members are judged on a scale indicating the degree to which the statement accurately describes performance. Here the rater makes yes or no responses to a series of questions concerning the employee behavior. The Checklist also has varying weights assigned to each question. Normally the scoring key for the checklist method is kept by the human resource department, and the rater is unaware of weights associated with each question. But bias can be introduced as the rater is aware of the negative and positive connotations of each question. Another drawback is that it is very time consuming.

2.6.1.5 Forced-choice Method

This method commonly is known as forced distribution. Here, a list of performance related statements about job performance are evaluated on how well they discriminate among staff and how important they are to unit or institutional performance. Discrimination and desirability statements are placed on a grid in clusters that differ on discrimination but are closely related in desirability. Discrimination and desirability are multiplied to yield a total scale score.

2.6.2 Assessment Centers

In any placement decision and even more so in promotion decisions, some prediction of future performance is necessary. Many organizations use assessment centers to predict future performance more accurately.

Typically, individuals from different departments are brought together to spend two or three days working on individual and group assignments similar to the ones they will be handling if they are promoted. The pooled judgment of observers - sometimes derived by paired comparison or alternation ranking - leads to an order-of-merit ranking for each participant. Less structured, subjective judgments are also made.

There is a good deal of evidence that people chosen by assessment center methods work out better than those not chosen by these methods. The center also makes it possible for people who are working for departments of low status or low visibility in an organization to become visible and, in the competitive situation of an assessment center, show how they stack up against people from more well-known departments. This has the effect of equalizing opportunity, improving morale, and enlarging the pool of possible promotion candidates.

2.6.3 Critical Incident Appraisal

The discussion of ratings with employees has, in many companies, proved to be a traumatic experience for supervisors. Some have learned from bitter experience what General Electric later documented; people who receive honest but negative feedback are typically not motivated to do better - and often do worse - after the appraisal interview. Consequently, supervisors tend to avoid such interviews, or if forced to hold them, avoid giving negative ratings when the ratings have to be shown to the employee.

The critical incident technique looks like a natural to some people for performance review interviews, because it gives a supervisor actual, factual incidents to discuss with

an employee. Supervisors are asked to keep a record, a "little black book," on each employee and to record actual incidents of positive or negative behavior.

Instead of arguing over traits, the discussion now deals with actual behavior. There are, however, several drawbacks to this approach. It requires that supervisors jot down incidents on a daily or, at the very least, a weekly basis. This can become a chore. Furthermore, the critical incident rating technique need not, but may, cause a supervisor to delay feedback to employees. And it is hardly desirable to wait six months or a year to confront an employee with a misdeed or mistake.

Finally, the supervisor sets the standards. If they seem unfair to a subordinate, might he not be more motivated if he at least has some say in setting, or at least agreeing to, the standards against which he is judged?

2.6.4 Graphic Rating Scale

This technique may not yield the depth of an essay appraisal, but it is more consistent and reliable. Typically, a graphic scale assesses a person on the quality and quantity of his work (is he outstanding, above average, average, or unsatisfactory?) and on a variety of other factors that vary with the job but usually include personal traits like reliability and cooperation. It may also include specific performance items like oral and written communication.

The graphic scale has come under frequent attack, but remains the most widely used rating method. In a classic comparison between the "old-fashioned" graphic scale and the much more sophisticated forced-choice technique, the former proved to be fully as valid as the best of the forced-choice forms, and better than most of them. It is also cheaper to develop and more acceptable to raters than the forced-choice form. For many purposes there is no need to use anything more complicated than a graphic scale supplemented by a few essay questions.

2.6.5 Results-Focused Approaches

Unlike behavioral approaches the result based approaches focus on the achievement of specified targets. There are both advantages and disadvantages to results-based performance appraisal approaches. On the positive side, they produce short and long-term results in the context of original performance and organizational objectives, are generally perceived as fair, tend to generate high levels of commitment to the organization, and they encourage a high level of participation and are thus defensible. On the negative side, they can be overly results oriented - especially in educational organizations, and they may be inflexible.

2.6.5.1 Management by Objectives

To avoid, or to deal with, the feeling that they are being judged by unfairly high standards, employees in some organizations are being asked to set - or help set - their own performance goals. Within the past five or six years, MBO has become something of a fad and is so familiar to most managers that I will not dwell on it here.

It should be noted, however, that when MBO is applied at lower organizational levels, employees do not always want to be involved in their own goal setting. As a result, more coercive variations of MBO are becoming increasingly common, and some critics see MBO drifting into a kind of manipulative form of management in which pseudo-participation substitutes for the real thing. Employees are consulted, but management ends up imposing its standards and its objectives.

Some organizations, therefore, are introducing a work-standards approach to goal setting in which the goals are openly set by management. In fact, there appears to be something of a vogue in the setting of such work standards in white-collar and service areas.

2.6.5.2 Work-standards Approach

Instead of asking employees to set their own performance goals, many organizations set measured daily work standards. In short, the work standards technique establishes work and staffing targets aimed at improving productivity. When realistically used, it can make possible an objective and accurate appraisal of the work of employees and supervisors.

To be effective, the standards must be visible and fair. Hence a good deal of time is spent observing employees on the job, simplifying and improving the job where possible, and attempting to arrive at realistic output standards.

It is not clear, in every case, that work standards have been integrated with an organization's performance appraisal program. However, since the work-standards program provides each employee with a more or less complete set of his job duties, it would seem only natural that supervisors will eventually relate performance appraisal and interview comments to these duties. I would expect this to happen increasingly where work standards exist. The use of work standards should make performance interviews less threatening than the use of personal, more subjective standards alone.

The most serious drawback appears to be the problem of comparability. If people are evaluated on different standards, how can the ratings be brought together for comparison purposes when decisions have to be made on promotions or on salary increases? For these purposes some form of ranking is necessary.

2.6.6 Ranking Methods

For comparative purposes, particularly when it is necessary to compare people who work for different supervisors, individual statements, ratings, or appraisal forms are not particularly useful. Instead, it is necessary to recognize that comparisons involve an overall subjective judgment to which a host of additional facts and impressions must somehow be added. There is no single form or way to do this.

Comparing people in different units for the purpose of, say, choosing a service supervisor or determining the relative size of salary increases for different supervisors, requires

subjective judgment, not statistics. The best approach appears to be a ranking technique involving pooled judgment. The two most effective methods are alternation ranking and paired comparison ranking.

2.6.6.1 Alternation Ranking

In this method, the names of employees are listed on the left-hand side of a sheet of paper - preferably in random order. If the rankings are for salary purposes, a supervisor is asked to choose the "most valuable" employee on the list, cross his name off, and put it at the top of the column on the right-hand side of the sheet. Next, he selects the "least valuable" employee on the list, crosses his name off, and puts it at the bottom of the right-hand column. The ranker then selects the "most valuable" person from the remaining list, crosses his name off and enters it below the top name on the right-hand list, and so on.

2.6.6.2 Paired-comparison Ranking

This technique is probably just as accurate as alternation ranking and might be more so. Employee performance is rated relevant to their colleagues. But with large numbers of employees it becomes extremely time consuming and cumbersome.

2.6.6.3 Forced Distribution

The forced distribution method requires a rater to compare the performance of employees and place a certain percentage of employees at various performance levels. It assumes the performance level in a group of employees will be distributed according to a bell shaped, or normal curve.

The ranking techniques, particularly when combined with multiple rankings (i.e., when two or more people are asked to make independent rankings of the same work group and

their lists are averaged), are among the best available for generating valid order-of-merit rankings for salary administration purposes.

2.6.7 360 Degree Feedback (360 Degree Review)

360 degree feedback is the most comprehensive and costly type of appraisal. It includes self ratings, peer review, and upward assessments; feedback is sought from everyone. It gives people a chance to know how they are seen by others; to see their skills and style; and may improve communications between people.

360 degree feedback helps by bringing out every aspect of an employee's life. Cooperation with people outside their department, helpfulness towards customers and vendors, etc. may not be rewarded by other types of appraisal. This system also helps those who have conflicts with their manager.

360 degree feedback generally has high employee involvement and credibility; may have the strongest impact on behavior and performance; and may greatly increase communication and shared goals. It provides people with a good all-around perspective.

360 degree feedback may be given directly to the employees, who have the option of discussing them with their managers; or it may be given to the managers for use in a feedback meeting. Whichever method is chosen, training for the managers and ratees is necessary.

Some off-the-shelf survey forms include job analysis techniques designed to form KSAs (knowledge, skills, and abilities required by a job) based on interviews, focus groups, and questionnaires. These forms may help to kill two birds with one stone, by helping to create valid job descriptions and then providing feedback on performance. The KSAs required by a job may be determined using traditional job-analysis techniques; competencies required by the job; strategic goals of the organization; development theory; or personality theory (e.g. communication or leadership styles).

2.6.8 Essay Appraisal

In its simplest form, this technique asks the rater to write a paragraph or more covering an individual's strengths, weaknesses, potential, and so on. In most selection situations, particularly those involving professional, sales, or managerial positions, essay appraisals from former employers, teachers, or associates carry significant weight. The assumption seems to be that an honest and informed statement -either by word of mouth or in writing- from someone who knows a man well, is fully as valid as more formal and more complicated methods.

The biggest drawback to essay appraisals is their variability in length and content. Moreover, since different essays touch on different aspects of a man's performance or personal qualifications, essay ratings are difficult to combine or compare. For comparability, some type of more formal method, like the graphic rating scale, is desirable.

2.6.9 Appraisals of Team Performance

In modern organizations much of the work is done in collaborative arrangements. The successful performance of such teams can be critical to achieving organizational objectives and goals. Thus, appraisal of team and team member performance should be integrated into team-based activities.

Appraising teams and team members can, however, be problematic. Creamer and Janosik suggest a team appraisal matrix in which team members are listed on a vertical dimension, and specific tasks on the horizontal. Such an arrangement reflects individual performance, and collectively reflects the overall team performance.

Team appraisal approaches assume, of course, that specific team performance objectives have been agreed upon, as well as individual expectations within the team. Ideally, the process of team performance evaluation will identify not only team performance, but individual deficiencies and paths of corrective action.

2.6.10 Balance Score Card

The balanced scorecard is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve center of an enterprise.

The balanced scorecard suggests that we view the organization from four perspectives, and to develop metrics, collect data and analyze it relative to each of these perspectives

2.6.10.1 The Learning and Growth Perspective

This perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In a knowledge-worker organization, *people* -- the only repository of knowledge -- are the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode. Government agencies often find themselves unable to hire new technical workers and at the same time is showing a decline in training of existing employees. This is a leading indicator of 'brain drain' that must be reversed. Metrics can be put into place to guide managers in focusing training funds where they can help the most. In any case, *learning and growth constitute the essential foundation for success of any knowledge-worker organization.*

2.6.10.2 The Business Process Perspective

This perspective refers to internal business processes. Metrics based on this perspective allow the managers to know how well their business is running, and whether its products and services conform to customer requirements (the mission). These metrics have to be

carefully designed by those who know these processes most intimately; with our unique missions these are not something that can be developed by outside consultants.

In addition to the strategic management process, two kinds of business processes may be identified: a) mission-oriented processes, and b) support processes. Mission-oriented processes are the special functions of government offices, and many unique problems are encountered in these processes. The support processes are more repetitive in nature, and hence easier to measure and benchmark using generic metrics.

2.6.10.3 The Customer Perspective

Recent management philosophy has shown an increasing realization of the importance of customer focus and customer satisfaction in any business. These are leading indicators: if customers are not satisfied, they will eventually find other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator of future decline, even though the current financial picture may look good. In developing metrics for satisfaction, customers should be analyzed in terms of kinds of customers and the kinds of processes for which we are providing a product or service to those customer groups

2.6.10.4 The Financial Perspective

Kaplan and Norton do not disregard the traditional need for financial data. Timely and accurate funding data will always be a priority, and managers will do whatever necessary to provide it. In fact, often there is more than enough handling and processing of financial data. With the implementation of a corporate database, it is hoped that more of the processing can be centralized and automated. But the point is that the current emphasis on financials leads to the "unbalanced" situation with regard to other perspectives.

2.7 Potential Errors in Performance Appraisals

Several Errors common errors have been identified in performance appraisals. **Leniency** is the grouping of ratings at the positive end instead of spreading them throughout the performance scale. **Central Tendency** occurs when appraisal statistics indicate that most of the employees are appraised as being near the middle of the performance scale. **Recency** occurs when evaluations are based on work performed most recently-generally work performed one to two months prior to evaluation. All these errors in the appraisal process make it complicated to separate the good performers to the bad the performers. Moreover they make it difficult to compare ratings from different raters. Another common error in the performance appraisal is **halo effect**. This occurs when a rater allows a single prominent characteristic of an employee to influence his or her judgment on each separate item in the appraisal. This often results in employee getting approximately the same rating on every item.

2.8 Some Common Pitfalls

Obstacles to the success of formal performance appraisal programs should be familiar to most managers, either from painful personal experience or from the growing body of critical literature. Here are the most troublesome and frequently cited drawbacks:

Performance appraisal programs demand too much from supervisors. Formal performance appraisals obviously require at least periodic supervisor observation of subordinates' performance. However, the typical first-line supervisor can hardly know, in a very adequate way, just what each of 20, 30, or more subordinates is doing.

Standards and ratings tend to vary widely and, often, unfairly. Some raters are tough, others are lenient. Some departments have highly competent people; others have less

competent people. Consequently, employees subject to less competition or lenient ratings can receive higher appraisals than equally competent or superior associates.

Personal values and bias can replace organizational standards. An appraiser may not lack standards, but the standards he uses are sometimes the wrong ones. For example, unfairly low ratings may be given to valued subordinates so they will not be promoted out of the rater's department. More often, however, outright bias dictates favored treatment for some employees.

Because of lack of communication, employees may not know how they are rated. The standards by which employees think they are being judged are sometimes different from those their superiors actually use. No performance appraisal system can be very effective for management decisions, organization development, or any other purpose until the people being appraised know what is expected of them and by what criteria they are being judged.

Appraisal techniques tend to be used as performance panaceas. If a worker lacks the basic ability or has not been given the necessary training for his job, it is neither reasonable to try to stimulate adequate performance through performance appraisals, nor fair to base salary, dismissal, or other negative decisions on such an appraisal. No appraisal program can substitute for sound selection, placement, and training programs. Poor performance represents someone else's failure.

In many cases, the validity of ratings is reduced by supervisory resistance to making the ratings. Rather than confront their less effective subordinates with negative ratings, negative feedback in appraisal interviews, and below-average salary increases,

supervisors often take the more comfortable way out and give average or above-average ratings to inferior performers.

Performance appraisal ratings can boomerang when communicated to employees. Negative feedback (i.e., criticism) not only fails to motivate the typical employee, but also can cause him to perform worse. Only those employees who have a high degree of self-esteem appear to be stimulated by criticism to improve their performance.

Performance appraisals interfere with the more constructive coaching relationship that should exist between a superior and his subordinates. Performance appraisal interviews tend to emphasize the superior position of the supervisor by placing him in the role of judge, thus countering his equally important role of teacher and coach. This is particularly damaging in organizations that are attempting to maintain a more participative organizational climate.

Few other issues in management stir up more controversy than performance appraisal. There are many reputable sources - researchers, management commentators, and psychometricians - who have expressed doubts about the validity and reliability of the performance appraisal process. Some have even suggested that the process is so inherently flawed that it may be impossible to perfect it. At the other extreme, there are many strong advocates of performance appraisal. Some view it as potentially "... the most crucial aspect of organizational life" Between these two extremes lie various schools of belief. While all endorse the use of performance appraisal, there are many different opinions on how and when to apply it. There are those, for instance, who believe that performance appraisal has many important employee development uses, but scorn any attempt to link the process to reward outcomes - such as pay rises and promotions.

This group believes that the linkage to reward outcomes reduces or eliminates the developmental value of appraisals. Rather than an opportunity for constructive review and encouragement, the reward-linked process is perceived as judgmental, punitive and harrowing. For example, how many people would gladly admit their work problems if, at the same time, they knew that their next pay rise or a much-wanted promotion was riding on an appraisal result? Very likely, in that situation, many people would deny or downplay their weaknesses.

Nor is the desire to distort or deny the truth confined to the person being appraised. Many appraisers feel uncomfortable with the combined role of judge and executioner. Such reluctance is not difficult to understand. Appraisers often know their appraises well, and are typically in a direct subordinate-supervisor relationship. They work together on a daily basis and may, at times, mix socially. Suggesting that a subordinate needs to brush up on certain work skills is one thing; giving an appraisal result that has the direct effect of negating a promotion is another. The result can be resentment and serious morale damage, leading to workplace disruption, soured relationships and productivity declines.

On the other hand, there is a strong rival argument which claims that performance appraisal must unequivocally be linked to reward outcomes. The advocates of this approach say that organizations must have a process by which rewards - which are not an unlimited resource - may be openly and fairly distributed to those most deserving on the basis of merit, effort and results.

There is a critical need for remunerative justice in organizations. Performance appraisal - whatever its practical flaws - is the only process available to help achieve fair, decent and consistent reward outcomes. It has also been claimed that appraises themselves are inclined to believe that appraisal results should be linked directly to reward outcomes - and are suspicious and disappointed when told this is not the case. Rather than feeling relieved, appraises may suspect that they are not being told the whole truth, or that the appraisal process is a sham and waste of time.

2.9 Recent Research

Performance appraisals, while potentially a valuable tool for companies, have attracted much criticism, with some academics proclaiming that they nourish short-term performance, annihilate long-term planning, build fear, demolish teamwork and encourage rivalry and politics.

Alan Nankervis, an Associate Professor and Research Director at Curtin University of Technology's School of Management, says: "There has been an enormous amount of research conducted on performance management, making it one of the most praised, criticized, and debated human resource management practices for decades. But despite all the research, countless texts, articles and conference papers, performance review remains a major source of frustration for managers."

Yet, done effectively, the tool has the potential to boost the overall performance of a business and the individuals who work for it. Indeed, research has shown, companies that manage the performance of their people effectively are more likely to outperform than those that don't. Successful performance management can also help companies plan better, retain top performers and align individual goals with those of the organization. However, recent studies reveal that although performance management is widely embraced all over, its use remains problematic and companies struggle to implement it successfully.

The Hudson Report, which measures the hiring expectations of Australian employers, surveyed almost 7000 managers nationally and found that 45 per cent of Australian managers rate their organization's HR and people-management practices, including performance management, as average or below average. The results, released at the end of April, also show that the key HR areas requiring the most attention include performance management systems, improved leadership capability and learning and development.

Another recent study - by Nankervis and Robert Compton, Senior Lecturer in HR Management at the Australian Catholic University, Sydney, in conjunction with the

Australian Human Resources Institute - found that only 20 per cent of managers using performance management reported a high or very high satisfaction rate. Just over 30 per cent were less than satisfied while half were moderately satisfied. Respondents cited the lack of links with organizational goals or with promotional and salary rewards as reasons for their dissatisfaction. Other factors included few participation or feedback opportunities, inadequate appraisal training, and implementation and administrative difficulties.

The use of performance management is becoming more widespread with 96 per cent of those polled in his latest study using it, compared to 85 - 86 per cent in studies done in 1990 and 1995. Possible factors behind this rise include the need to bolster productivity in the face of greater competition, a rise in performance-based employment contracts and a more "strategic" approach to performance management.

However, despite this growth in usage, satisfaction levels with present systems have deteriorated since his earlier studies. Training has also declined and the involvement of employees in the review of their own and their team's performance is not yet well implemented. Likewise, the message from management consultants is that there's still much work to be done.

Dennis Finn, PricewaterhouseCoopers' Head of Performance Improvement, notes: "People and organizations are getting better at doing performance management, but they still have a long way to go."

Michelle Bourke, a Director within the Deloitte's Consulting Division, adds: "While there is recognition of the value of performance management and its role in driving the business forward, many of the organizations we work with are struggling with their existing performance management systems and are looking for ways to improve them."

So what goes wrong? In a 2002 Mercer Human Resource Consulting survey, managers listed inadequate manager skills in giving feedback, lack of follow up of agreed actions and inadequate ongoing feedback as the major barriers to successful performance management.

Not setting the right objectives can also ignite problems, What people find most frustrating about performance appraisals - when the appraisals are not working - is that they didn't get any input or didn't agree with the objectives set for them. They also say they had very little or no influence over those objectives or the objectives didn't reflect what they do on a day-to-day basis. Companies are trying to relate the individual's performance to the organization's performance - for example, their ability to achieve budget - but there are so many circumstances beyond an individual's control which can interfere with this.

It's important to set objectives that people can actually achieve and over which they have control. If the goals, measures and targets are too loose and subjective, with no time scale set for when they are to be delivered, it will be extremely frustrating for the person who has to figure it all out.

Once objectives are set, there must be consequences for those who over or underachieve. "The rewards given must be associated with whether that person is below target, on target, above target or even exceptional. Driving differentiation is crucial."

"Performance appraisals work best where the content of the performance management system is tightly aligned to the organization's vision; and where this vision is broken up into goals, measures and targets that are then cascaded down through all areas of the organization to those that can really influence them."

Leaders have to spend time getting the key metrics right and then turn these into steps which are specific, measurable, time bound and objective. "What often happens is that the manager drives the business based on the latest bushfire which leaves the company reactive and driven by short-termism and this leaves the employee frustrated,"

One study found out that even when people know what they have to do, it's still hard for them to do. Most people gravitate towards the financial or numbers side, because these are easier to understand. Other aspects are harder to measure. But if you want to build up, say, leadership, you'll need to set non-financial targets such as the number of people ready to fill higher roles or the training and development available in the organization per person.

Sydney-based management consultant Wendy Cooper believes that in addition to boosting individual performance, the process should also include team-based objectives that promote team work and cooperation. This can be done by encouraging the group to buy into a new initiative, such as installing a new software system, with shared rewards.

Cooper also cautions against putting too much emphasis on the negative during reviews. "You should look at how staff can be supported and coached so that they can achieve their goals, rather than how they could be punished if they don't achieve them," she says.

While the use of technology in performance management is growing, nothing beats the value of a good face-to-face discussion. He acknowledges that most organizations need a more formal system, but says: "The best system is a blank piece of paper and a really good one or two-hour discussion."

And, according to a researcher, the more often it is done, the better. "The tip is not to make it a one-off thing. Having a monthly one-on-one "mini-review" would measurably reduce the anxiety created at the end of the year and eliminate the surprise that is sometimes experienced. You'd also correct what you need to earlier," he says

A recent study found that most organizations still use performance management for traditional purposes with only "patchy" steps being taken towards strategic practices. Indeed, 89.2 per cent use it to determine training and development needs while 88.9 per cent use it to appraise performance. Only 27.5 per cent use it for retaining high-caliber staff while 28 per cent see it as a tool to change corporate culture.

The use of innovation techniques - such as the Balanced Scorecard, 360 degree/multi-rater feedback, upward appraisals and team appraisals - is still limited, but poised to grow. Forced rankings and the use of the bell curve don't appear to have much support

Those that use the Balanced Scorecard (25.5 per cent) report significantly higher levels of strategic alignment between individual and organizational performance objectives than those that don't.

A concept which is gaining increasingly mind share worldwide and which intends to provide just that, is the Beyond Budgeting concept of the CAM-I BBRT. It tries to

combine the hard fact side in form of new performance management processes (typically the responsibility of finance) with the soft fact side of a new performance management climate and a “devolutionary framework”, where the people at the front, working with customers, get the freedom to decide and act (typically the responsibility of the CEO and of HR).

The basic assumption is that today’s business environment, which forces companies to constantly change and adapt to changing customer demands and markets, the budget is not the right tool anymore to manage a company and its performance. It locks managers into something they thought and found right at the end of the previous fiscal year. It can not be effective in a global knowledge economy with rapidly shifting market conditions and quick and nimble competitors.

The model basically works on the creating a performance climate based on competitive success – rather than on internal politics and on the principle that managers have to meet pure internal performance commitment. Motivating people by offering them challenge, responsibility, clear values as guidelines (instead of clear orders) and shared reward. Organizing around customer oriented teams that are accountable for profitable customer outcomes – not around functions and departments that are accountable for meeting just the budget.

Chapter 3

Research Findings

3.1 Telecom Industry Overview

Services have been one of Pakistan's fastest growing sectors with its overall contribution exceeding more than 50% in the GDP. Given the present government's commitment and emphasis on the promotion of information and communication technologies, telecommunications has assumed a unique position as an area of priority and importance.

With privatization and liberalization trends gaining pace and Pakistan's WTO commitment, of ending the incumbent Pakistan Telecommunication Company Limited (PTCL)'s exclusivity period by December 31st 2002, just round the corner, this sector is poised for new heights in growth and expansion.

Foreword Cellular communication systems are revolutionizing the voice telecommunication markets around the world. They have not only brought in new customers but have also introduced many innovative services. Technological advances in this field have made it possible for phone set companies to bring to bear difficult competitive advantages in their products. As a result global Mobile telephone industry has witnesses a steady growth for the last 6 to 7 years with number of mobile subscribers growing at a compounded average rate of 50% per annum. In Pakistan Cellular communication was introduced in 1990. Due to the extraordinary huge price of phone sets, keeping a mobile phone was considered only when it was necessary for business purposes or as an item of luxury for domestic use. The cost of a phone set was more than an unbranded personal computer. This cost came down in late 90's and sets became more affordable to the middle class. After the introduction of Calling Party Pays (CPP), more people were inclined to keep a cell phone as the cost of communication reduced significantly. But the benefits of cellular communication are restricted only to the urban population. Technology available to the line operators working Pakistan is said to be the main impediment is spreading their networks to rural areas. The overall penetration level

of cell phones in Pakistan is around 7% while that of India is 6.7%. Majority of cell phone subscribers are in urban areas.

The Pakistan cellular industry started in the mid-1990s after the Government of Pakistan (GOP), through the Ministry of Communications; issued 2 licenses to set-up and operate national cellular telephone networks in Pakistan. The first of such licenses was awarded to Pakcom, operating under the brand name of Instaphone -with the second one to Paktel, a joint venture company, majority-owned and operated by Cable and Wireless Plc. Both companies were awarded these licenses for an initial period of 15 years. Instaphone and Paktel both setup Analogue Mobile Phone System (AMPS); an analogue standard based networks covering a large part of urban Pakistan. However, Paktel has recently obtained a Global System for Mobile Communication (GSM) license for 2 years and paid Rs. 200 million as license fee. This is expected to be operative by the third quarter of 2004 and the target market is likely to be the low end users.

Paktel and Instaphone's duopoly ended when Pakistan Mobile Communications Limited (PMCL) commenced operations in 1994, under the brand name Mobilink. Mobilink was the first company to set-up and operate a digital cellular network, based on GSM technology. A fourth license was issued to Pakistan Telecom Mobile Limited (PTML), a 100% owned subsidiary of Pakistan Telecommunication Company Limited (PTCL) in 1999. PTML commenced operations in 2001, under the brand name of Ufone. GOP has further auctioned 2 more technology neutral licenses through open bidding process in 2004 to Warid Telecommunication (Al-Nahyan Group) and to Telenor (Norwegian Group).

The cellular telephony sector is one of the fastest growing high-tech areas of our times. Right now in Pakistan the investment in this industry is around a billion dollars with more than 3 million subscribers. With the existing operators planning further investments to expand their infrastructure and subscriber base, it is safely assumed that by the end of the year 2004, the cellular subscriber base in number terms would leave fixed telephony

line subscriber base way behind. The number of mobile phone subscribers rose to 3.4 million by 2003 from 0.2 million subscribers all across the country in 1999.

A significant milestone in Pakistan's mobile sector has been the implementation of the CPP tariff regime, in 2000. This has not only fulfilled a long-standing demand of the mobile operators but has boosted mobile telephony tremendously within the country. Earlier tariff for mobiles was based on the Mobile Party Pays (MPP) regime, which was an impediment to mobile growth and usage.

At present, PTCL is the sole dominant player within Pakistan's telecommunication market with a share of about 98% of telecommunication stock market capitalization. The figures in terms of financial capitalization were also pretty impressive with stock market capitalization indicating a growth of 7.8%. The mobile industry led the sector in terms of financial growth, growing at the rate of 47% and Payphones grew by over 17%. Overall, the telecommunication sector exhibited a favorable growth rate of around 9%.

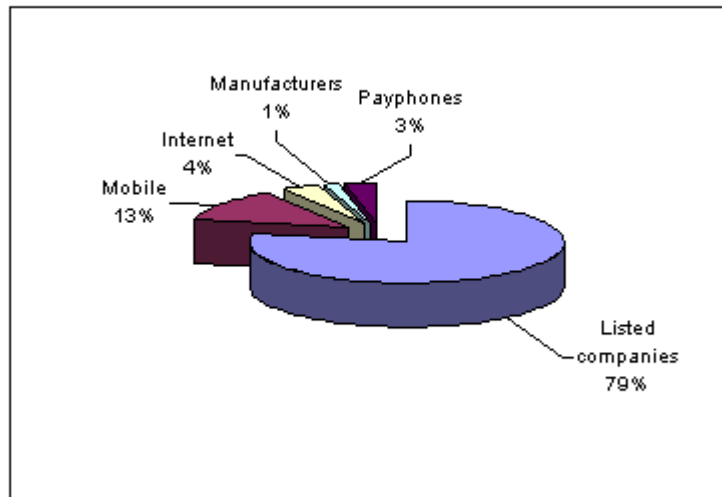
The mobile phone sector is promising to be an even more lucrative market for the private sector, with the auctioning of two cell phone licenses to foreign companies last year earning Pakistan a combined 582 million US dollars. As an emerging mobile phone market, Pakistan witnessed exponential growth of 106 percent this year to over five million subscribers compared with 2.4 million in 2002-03.

There is a forecast that cell phones are likely to outnumber the fixed phone connections in the coming year because of increasing competition among the market players and the resultant cost effectiveness. The two foreign companies that were granted licenses, Al-Warid Telecom of the United Arab Emirates and Norway's Telenor ASA, are expected to be important drivers to the industry when they enter the market over the next few months.

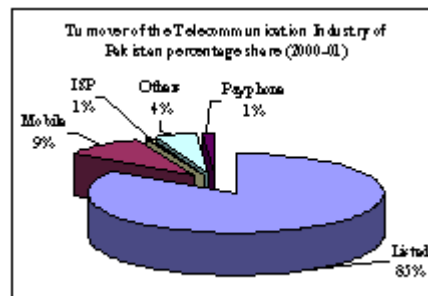
These (new) companies are expected to invest 150 million dollars each in infrastructure in the coming years, which would generate a lot of economic activities. However, the present four cell phone companies Paktel, Instaphone, Ufone and Mobilink, are also

bringing in more flexible and cheaper packages for their customers in efforts to maintain their market share.

Total Investment in the Telecom Industry During 2001-2002



In terms of turnover, Pakistan's telecommunication industry registered sales of around Rs.122.07 billion during the year 2001-02. Listed companies, PTCL, Paktel, Teletcard and World Call, led the share takings by around 74%, followed by mobiles with 1.6%, equipment production by 9% and payphones by 2%.



Source: Pakistan Telecommunication Authority Page 7

3.2 Cellular Industry

At present four mobile companies are providing cellular mobile services in Pakistan. These are Paktel, Pakcom (Instaphone), Pakistan Mobile Communications (Mobilink) and Pakistan Telecommunication Mobile Limited (U-Phone). Paktel is 98.6% owned by Millicom International Cellular (MIC), whereas Sanbao Telecom, another MIC subsidiary, owns 61.25% of Pakcom. Only two companies, Mobilink, majority owned by Orascom Telecom, and PTML, a 100% PTCL subsidiary, were using digital GSM technology for their services. Instaphone has only recently introduced the digital version of its analogue technology D-AMPS (Digital Analogue Mobile Phone System) whereas Paktel was still using the analogue technology AMPS (Analogue Mobile Phone System) for its services. With each player holding on to a sizable share (See Fig. below), the cellular market in Pakistan is characterized by cutthroat competition.

Among existing operating players, Ufone is Mobilink's direct competitor as it also uses GSM technology. During the last 3 years, Ufone has gained a substantial market share to become the second largest operator after Mobilink, even though the other 2 operators, Instaphone and Paktel, have been operating since 1991. However, there is still a substantial and widening gap between Mobilink and Ufone's subscriber base.

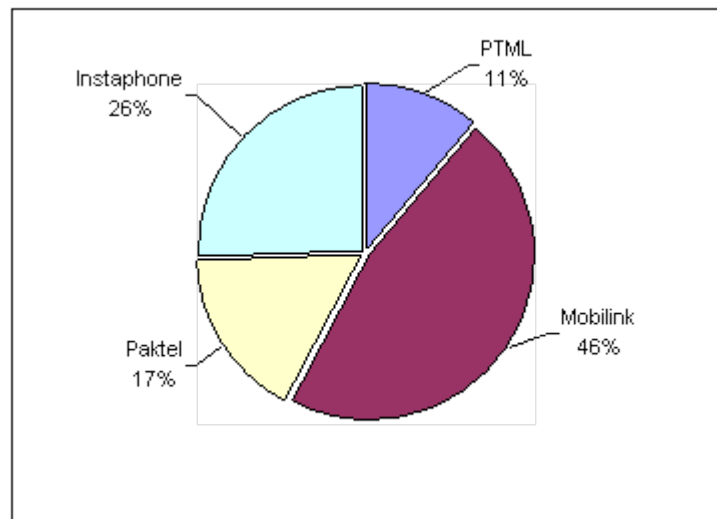
Instaphone and Paktel have conventionally competed at a different level, as they both use AMPS technology, and have not been major participants in the market frenzy. With the issue of 2 new licenses, Paktel's recent acquisition of an GSM license and possible increased investments by Ufone are expected propel the Pakistan telecommunication sector for high growth, increased penetration and a period of intense industry competition.

Current coverage is a constraining factor in the growth of mobile penetration. Since the existing operators have essentially built their networks in the cities and towns, current policy aims to accelerate coverage for rural areas by putting coverage obligations. Assuming that future cellular coverage reaches 95% of all urban population and 30% of rural population and taking into account the relative geography and population density of

each Province, there is a potential demand of approximately 25 million cellular subscriptions by 2018. Mobilink is the market leader in terms of highest market share of 62%. Instaphone and Ufone have market shares of approximately 14% and 15% respectively followed by Paktel with about 9%.

Subscriber – wise

Market share of Cellular Operators in Pakistan



A significant milestone in Pakistan’s mobile sector has been the implementation of the Calling Party Pays (CPP) tariff regime from November 2000. This has not only fulfilled a long-standing demand of the mobile operators but has boosted mobile telephony tremendously within the country. Earlier tariff for mobiles was based on the Mobile Party Pays (MPP) regime which was an impediment to mobile growth and usage.

Pakistan’s mobile industry holds great promise in the future. The advent of new technologies, rigorous and innovative marketing, efficiency and cost savings can lead to very rapid and consistent growth in this sector as has been evident following the launch of U-Phone.

The Key players in the current market are

3.2.1 Mobilink

Mobilink was incorporated in 1990 as a private limited company and subsequently commenced operations in 1994. Mobilink started as a joint venture between Motorola Inc. and Saif Telecom (Pvt.) Ltd. Currently Mobilink's majority shareholding lies with the Egyptian based company, Orascom Telecom Holding (OTH), which operates GSM cellular networks in the Middle Eastern, African and Asian regions. OTH is part of the Orascom Group of Companies (OGC). Mobilink is the market leader in cellular telecommunications in Pakistan, engaged in the installation, operation and maintenance of a countrywide GSM cellular network. Mobilink entered the cellular industry, as the sole operator using GSM technology, when the prevailing technology was AMPS.

Mobilink is the market leader in providing state-of-the-art communications solutions to over 2 million people in Pakistan. They are the first cellular service provider in Pakistan to operate on a 100% digital GSM technology. Though at the time when it entered the cellular market of Pakistan, it was a small player, both in terms of growth as well as having the largest subscriber base in Pakistan. It is now the market leader with 62% market share.

3.2.2 Ufone

PTML (Ufone), a subsidiary of PTCL started its operations in 2001. It captured a 15% market share in the last 4 years. Ufone customers for the first time are able to reap the benefits of high-speed Internet and data connectivity on their handsets. Ufone achieved another milestone by becoming the first cellular service provider in the world to offer live stock market information to its subscribers by launching Live Pocket Stocks. It also added VPN (Virtual Private Network) and Web 2way SMS chat to its product profile and further improved its information and thus, stood true to its tradition of innovation this year. A significant milestone was achieved in 2002 when Ufone became the first and the only GPRS capable network in Pakistan. The introduction of Ufone GPRS placed

Pakistan amongst the few developing nations around the world where Internet convergence to cellular telephony has started bringing results to the common users.

Embarking upon a major expansion project, Ufone intends to extend its network to 49 additional cities and towns in 2003-2004 and substantial network expansion is planned in the existing cities in order to meet the subscriber projections. The company has successfully been able to build upon its excellent financial results from 2003. During 2004, the gross turnover recorded an increase of 134% reaching Rs. 2.7 billion. Pretax profit was also up by 609% amounting to Rs. 388 million.

Ufone is undergoing network expansion and increased coverage to further compete with Mobilink. A growing footprint will allow Ufone to create a larger customer base and allow it to compete with economies of scale with the new entrants.

3.2.3 Instaphone

Instaphone (Pakcom) is a subsidiary of Millicom International Cellular (MIC) S.A., based in Luxembourg. MIC S.A. currently has an overwhelming interest in 34 cellular operations in Asia, Africa, Latin America and Russia, covering a popular under license of over 584 million. Instaphone is a lucid example of the MIC Global Standard for Cellular Excellence, benefiting from international resources to cater to the needs and interests of cellular customers in Pakistan. It received its license in 1991 and started with AMPS service later converted to digital TDMA technology.

Instaphone is among the pioneers in the mobile phone industry in Pakistan. As one of the leading cellular service providers, with the largest active subscriber base, Instaphone thrives on dynamic marketing policies to address customer needs and a rapidly changing market place.

3.2.4 Paktel

Paktel received its license in 1991 and started out as the first cellular firm in Pakistan with AMPS analog technology. It was a joint venture between Cable & Wireless and Hassan Associates. C&W later sold out due to losses in operations and network closures

in Karachi. Paktel was taken over by Millicom, which also controls Instaphone. Currently, Paktel has a 9% market share.

InterActive Communications realized the potential for developing cellular technology in the country and, after comprehensive research the identification of the market, contacted possible investors for the project. With the help of Hasan Associates (Pvt.) Ltd. of Pakistan, and cable and wireless communications of the United Kingdom, the Paktel launch was a success. Under its initial management team, Paktel grew to become a market leader with a rapidly growing consumer base and extensive coverage

Paktel's was the first license ever granted in Pakistan for operating a private nationwide cellular network. A decade later Pakistan is serving over 21 cities and has an ever-growing customer base. InterActive's telecommunications expertise has enabled Paktel to be a leading force in the nation's cellular industry and confidently deal with the continuous changes the industry faces. It is currently undertaking the transition to D-AMPS technology to further expand its own capabilities and improve its services.

3.2.5 New Entrants

The deregulation of Pakistan's telecom industry is fast gaining momentum with dozens more communications providers and millions of customers entering both the fixed line and mobile markets.

The two foreign companies that were granted licenses in the year 2004, Al-Warid Telecom of the United Arab Emirates and Norway's Telenor ASA, are expected to be important drivers to the industry when they enter the market over the next few months.

3.2.6 Telenor

Norwegian Telecommunication Company, Telenor will launch its cellular phone service in Pakistan from 2005. Telenor has paid \$291 million for license to GOP and will invest

another \$1 billion in the next 5 to 7 years. Telenor would focus on quality service and use of state of the art equipment for cellular phone services.

Pakistan's telecom industry got a major boost when it was announced that the global mobile phone giant Telenor is ranked by the global GSM association, among the 12 largest mobile operators in the world with 34.2 million subscribers as at March 2004. Telenor has ownership in mobile phone operations in 11 countries with the closes being in Bangladesh where 11 operators under the brand name of Grammian Phone.

Telenor has its head office in Islamabad and plans to open regional offices in Karachi and Lahore. Initially, the company plans to start its operations in Central and Northern Punjab where most of Pakistan's population is concentrated. The turnkey deal with Nokia would provide a GSM network to Telenor Pakistan Ltd. Telenor has a global business relationship with Nokia whereby Telenor is upgrading its GSM technology in Norway with EDGE technology with the help of both Nokia and Ericsson.

Telenor Mobile of Norway, operating in 35 countries globally, intends to gradually increase their investment in Pakistan to tap full potential of cellular market. The company would be offering an attractive package and quality services to increase its market share in Pakistan in the shortest possible time.

3.2.7 Al Warid Telecom

Warid Telecom, a UAE based company, is privately owned company by a group of UAE based investors, and is headed by His Highness Sheikh Nahayan Mubarak Al Nahayan, UAE Minister of Higher Education and Scientific Research, chairman of United Bank Limited and a principal of Bank Al Falah, 2 of Pakistan's leading commercial banks. Recently, Warid Telecom was awarded a license to launch a new GSM mobile telephone service in Pakistan, and is currently bidding for a domestic local loop (LL) licenses besides LDI.

Warid Telecom was given a cellular service license after another failed to deposit the license fee. Warid Telecom deposited US \$72.75 million, 25 % of the bid of US \$291 million, in the account of Pakistan Telecommunication Authority (PTA) for the grant of cellular mobile phone license.

Pakistan is the first venture in Warid Telecom's plan to provide telecommunications services to markets in the Middle East. Warid Telecom selected Nortel Networks because of its global leadership in IP telephony and NGN technologies and because of its strong local presence in Pakistan.

3.3 Mobilink

3.3.1 Company Background

Mobilink was incorporated in 1990 as a private limited company and subsequently commenced operations in 1994. Mobilink started as a joint venture between Motorola Inc. and Saif Telecom (Pvt.) Ltd. Currently Mobilink's majority shareholding lies with the Egyptian based company, Orascom Telecom Holding (OTH), which operates GSM cellular networks in the Middle Eastern, African and Asian regions. OTH is part of the Orascom Group of Companies (OGC). Mobilink is the market leader in cellular telecommunications in Pakistan, engaged in the installation, operation and maintenance of a countrywide GSM cellular network. Mobilink entered the cellular industry, as the sole operator using GSM technology, when the prevailing technology was AMPS.

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Egypt's Orascom Telecom has agreed terms to renew the license of its Mobilink branded Pakistani GSM subsidiary for an additional 15 years starting after the expiry of its current license in 2007 and ending in 2022. To secure the License renewal, Mobilink commits to total license fee payments of US\$ 291 million. The first half of the license fee, equivalent to US\$ 145.5 million, is due on 2007 with the remaining amount to be paid in 10 equal annual installments in the following 10 years.

Mobilink is now and intends to remain the leading telecommunications services provider in Pakistan. The company's subscriber base grew from 1 million in February 2003 to 2 million in December of the same year to over 3 million in 2004, representing an impressive 50% growth in subscribers in less than 7 months.

Surpassing 3 million subscribers in Pakistan is an important milestone for Orascom telecom and demonstrates our commitment to continuously invest in the Pakistani market. The extension of the license provides Orascom Telecom with the stability and confidence to expand telecommunication services to reach the maximum number of people in Pakistan. OTH remains fully committed in its strategy of fast profitable growth by focusing on its core operations.

In 2004, the Company launched a new logo and motto namely “Reshaping Communication”, to welcome a new era of telecommunications in Pakistan. The new logo and image conveys Mobilink’s resolve to stay ahead of the competition and continually improve itself so as to realign its services to the needs of its customers. Mobilink has since its inception developed a reputation for being a premium service provider, since it was the first in the cellular industry to introduce GSM technology in Pakistan. Mobilink have been providing a wide array of services to stay ahead of the competition. Mobilink constantly provides new value-added products, in effect increasing customer loyalty and brand equity. Mobilink International Roaming service is the best in the industry and allows its customers to use their cellular phones while traveling abroad.

Mobilink has developed an efficient and wide distribution network to handle its expanding customer base catering to both urban and semi-urban locations. This distribution network is the largest amongst the existing operators and is one of the Company’s key differentiating factors. Mobilink has already taken a step in the direction by obtaining a Long Distance International (LDI) license. Now the Company will be able to set up its own international gateway thus enhancing revenues from current subscriber base. In addition, the Company will be able to establish its own backbone across the country for long distance traffic leveraging inter city traffic and saving on leased line costs, improving profitability and strengthening its competitiveness even further.

The Company, in an attempt to diversify its telecom activities has also applied for a Wireless Local Loop (WLL) license. A solution, if effectively executed can provide a

cheap and cost effective substitute to cellular and landline telephony in rural and sparsely populated areas of Pakistan. Unlike WLL for an LDI license, the WLL license will be awarded based on a bidding process.

New areas of investment are expected to compliment the Company's continued focus on core area of expertise. Mobilink plans to increase its investment by more than US\$ 240 million during 2004, of which 90% is to be dedicated to an increase in network capacity and coverage while the remaining 10% is to be applied to enhancing the back-end Customer Service and MIS infrastructure. Total capital investment in the Company during the next 3 years (from 2004) is estimated to be US\$ 500 million. Mobilink has over 2.8 million subscribers as of June 2004 and has plans to grow this figure by more than 75% over the current year.

Mobilink is well positioned to take full advantage of the prevailing environment, which is conducive to an extremely rapid subscriber growth, since no other player is geared to capture substantial untapped demand. The Company aims to utilize the next 6-8 months to its maximum potential in order to retain its position in the market. Given its current subscriber base of more than 2 million users and its extensive capex program, Mobilink is far ahead of its competition. Mobilink projected to cross the PTCL's subscriber base by the end 2004. The Company is making an additional investment of \$275 million in Pakistan to strengthen and consolidate the company's market leadership.

Mobilink is benefiting from its earlier entry in the market, its GSM technology and availability of a large variety of cell phone models. Mobilink needs to consolidate its lead since Ufone GSM and the new operators will certainly try to steal its customers. It should increase its presence in vertical markets and bring in GPRS to improve its data offerings.

3.3.2 Vision

To be the leading telecommunication services provider in Pakistan, by offering innovative communications solution for our customers while exceeding shareholders value & employee expectation.

3.3.3 Strategy

Mobilink has been following growth and expansion strategy since long however with the running competition in the market from other cellular companies and from the upcoming companies in the business the company has now started focusing on serving its customer well so that while increasing its subscriber's base it can also retain its existing customer.

3.3.4 Core Values

The core values at Mobilink are:

- Trust & Integrity
- Passion for Business Excellence
- Respect for People
- Commitment to Total Customer Satisfaction
- Responsible Corporate Citizen

3.3.5 Structure

The Company structure is in 5 Layers, comprising Associates, Specialists, Managers, Directors and Chief Officers.

Promotion from one level to the next would be dependent on the entry-level stay at the present position / level, educational / qualification attained during the current level and any special promotion by the Management / President. Until approved otherwise it would be mandatory for the employees to spend the following maximum period at each level before a promotion to the next level depending upon availability of a slot.

- Associate
- Specialist
- Manager
- Director
- Chiefs

However, to compensate the employees who may not get a chance of promotion due to non – availability of an existing / vacant slot will be “Moved Over” within the new salary range specified by the Company.

In addition to these usual layers in the structure there is a separate structure in every region as well headed by the regional director and next his/ her team. The reporting relationships of each and every employee are predefined usually one supervisor at a time therefore one direct reporting line. However, in some cases there is a dotted line of reporting from the employees as is the case with the regional directors. The structure is attached at the end in the Annexure.

3.3.6 Culture

The culture of the Mobilink is an amalgamation of openness and conservativeness at the same time. As the organization is very big based on various regions therefore, it is difficult to ensure the same culture everywhere. However a few elements of culture are common in the organization as a whole.

Like the open door policy is said to be observed by the company as whole. However in practice it varies from department to department depending upon the person as well who is leading the department. In most of the cases the employees have an easy access to the manager and all the problems and issues are discussed in a cohesive and cooperative manner. But in some cases there is a level of power distance maintained among the employee and the supervisor or top management. In order to ensure an open culture the HR department has introduced “HR online”. The objective of maintaining an e-mail account titled “HR online” is to provide an additional means for employees to communicate their suggestions, problems and constructive criticisms so that there is greater awareness of problem areas and areas requiring improvement. This provides a way to maintain this open culture where the flow of information is even whereby keeping a track of employee activities.

In addition the president of the company himself believes in this open door policy and meet directly with employees in meetings called “Down town Meetings” where the employees can ask questions directly to him and give their suggestions and he replies to it directly to them. These meetings though not scheduled can be however called for whenever required.

3.4 Human Resource Management at Mobilink

Mobilink has a well established HR department which is taking care of all employee related issues. The Department is concerned with the development of policies and procedures and execution of those policies. The HR department is responsible for Recruitment, Employees Data Management, Employee Benefit & Compensation, Training & Development, Career Planning, Employee Relations/ Communication Career Planning/ Succession Planning, Retention of Employees, Employee Motivation

3.5 Performance Management System at Mobilink

The purpose of performance management at Mobilink is to provide a plan of ensuring employee performance to the fullest level whereby linking the individual goals of the employees to that of the company. Performance Management is viewed in its full context as the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities.

Performance management is a whole work system that begins when a job is defined as needed. It ends when an employee leaves the organization.

Therefore the performance management process at Mobilink starts with the formal procedure of writing the job descriptions.

3.5.1 Objective

The objective of performance appraisal at Mobilink is to ensure a formal review program to evaluate work performance and to promote communication and discussion of job performance. The intent of these discussions is to review current job performance and responsibilities, set goals and discuss future opportunities with reference to past performance at Mobilink.

The Objectives of the Performance Review Program are:

- 2 To measure work performance.
- 3 To motivate and assist employees in improving their performance and achieving their personal/professional career goals.
- 4 To identify employees with high potential for advancement.
- 5 To provide objective information for making decisions on salary increases, promotions, bonus and transfers.
- 6 To identify employees training and development.
- 7 To provide a solid path for career planning for each individual.

3.5.2 Job Descriptions

The broad goals of company/departments are incorporated in employee's job descriptions. All the goals are in the JD of every employee according to the channel or department he/ she belongs to. The Regions are responsible to allocate these goals and to carry out the desired results.

It is Mobil ink's policy to ensure that each professional/managerial/supervisory level position is described in writing with a Job Description. The Job Description is then attached with the interview assessment form for an initial definition of the duties of the new employee. If any changes are to be made after adequate discussion between the employee and supervisor, then the fresh JD is developed and forwarded to the HR Department within two weeks of the date of joining of the employee. Every year fresh Job Descriptions of every employee are forwarded to local HR by the respective supervisors along with Annual Performance Appraisals. It is ensured that it is understood

by both the persons as a fair representation of the intended job objectives, duties, responsibilities and authority. Depending on the proposed level of the position, the job description and job requirements are subject to review and approval by local, departmental and corporate management.

3.5.3 Employee Orientation

Every employee is hired on the basis of the job description defined. However, on induction employees are oriented in order to inform all new employees of the policies and benefits and to explain to them the nature, philosophy and structure of Mobilink. It is the responsibility of the Human Resources Department to coordinate the orientation program. The local HR is responsible to carry out proper orientation of new employees by giving them a brief overview of the policies and procedure. The basic aim however is to give employees a brief overview of the work culture of the organization along with the detail knowledge of policies and procedures etc, so that the employees should know what will be expected of them in terms of behavior.

3.5.4 Frequency of the Performance Review

Informal performance discussions are conducted frequently at Mobilink as and when the need arises. These discussions provide the basis for an objective summarization of performance during formal Performance Reviews and allow more time for discussing future plans and organizational as well as personal objectives. The supervisor is encouraged to make notes on pertinent points discussed and to place those notes in the employee's personnel file.

Formal written performance reviews are conducted with all employees twice a year. Notification along with Performance Evaluation Forms is sent from the Human Resources Department in advance with the scheduled performance evaluation date.

All employees are reviewed at least once at confirmation. Therefore, Performance Reviews are held on an annual /bi-annual basis from the date of hiring or more often if

desirable to do so. The supervisor receives notification of the scheduled review period from the Human Resources Department. The whole procedure is then followed in the same way.

3.5.5 Appraisal Process

Typically, the performance appraisal for career employees is due one year from the end of the probationary period or before the merit cycle. At Mobilink also, performance of employees is reviewed on an annual basis. It is the responsibility of the immediate supervisor (line manager) to appraise the employee on the basis of his/her performance. Well before that date; begin to prepare for the appraisal. The preparation process involves review and data gathering, holding a preliminary meeting with the employee, and employee preparation of a self-appraisal. In the whole process if the employee performs extra ordinarily good than that instance is recorded, otherwise the performance is evaluated on the overall performance of the employee in the appraisal period

The performance appraisal is done on an annual basis (from January 1st to December 31st).

The formal **Goal Setting** is done when every employee is told what is expected from him / her through direct supervisors. He / She participate and agree with the goals & objectives set by himself / herself in accordance with the company's business plans & objective goals.

The goals for every department are set at the start of every evaluation year. Mobilink is following the method of MBO (Management by Objectives) where the overall departmental goals are delegated down to the operational or functional level. This breaking down of the larger chunk of the departmental goal to a team and individual level is done with complete consensus of the concerned employees. The main areas considered during this process are the previous year's results & employee capabilities. Most of the goals are related to the sales target achievement.

Everyone is given the opportunity to perform & develop according to the set objectives & agreed upon duties. He / she is also expected to do self-assessment and take actions to

develop his / her competency level & increase his / her participation in the achievement of the company's objectives.

To ensure openness, consistency & objectivity, the agreed competency framework covering all aspects of the job are used as the basis for performance planning appraisals. Accordingly, it is well known & clear for both the Employee and the Manager covered. Department Heads & Managers involved in performance appraisals are given briefing in order to make them familiar with the applied performance appraisal system & the appraisal interviewing techniques.

3.5.6 Annual Increments

The allocations of increments are decided at the end of each financial year, according to the financial position of the company. The increment are determined as a percentage of salaries & distributed among employees in accordance with their performance appraisal ratings. For the employee to obtain a salary increase in Mobilink, he should complete one year in the company service from the date of his / her appointment or the date he/she was given previous increment & satisfy the condition that his / her performance appraisal rating for this year is not less than "V.good". Once the increment is decided, it is effective from January of each calendar year.

Where an employee joins the Company after January of the year, he/she will be given an increment in the salary, which would, is a certain percentage decided by Management. He / She will not be eligible for an increment in the following year. However, in special cases regarding the performance of the employee the employee can receive increment even in that case.

3.5.7 Promotions

The Performance Appraisal process at Mobilink does link the promotions of the employees to their performance. However, the employee getting a promotion should be evaluated not less than "Very Good" in the last annual appraisal report. There are several other factors involved like the employee has to have completed a minimum of one or two years in the current grade.

There is also an element of seniority as well in the promotion of the employee along with his/her performance therefore, in case where more than one employee meets the requirements for promotion to a higher position, the one who succeeds in obtaining the highest evaluation rating shall precede the others. If the performance evaluation ratings are equal, then the senior employee is rewarded with the position.

Although a formal “Performance Appraisal System” provides the basis for decisions regarding confirmation, promotion and annual increment of PMCL, promotion of staff is based strictly on merit. Provision of an opportunity through internal announcement is a privilege for PMCL employees.

3.5.8 Performance Appraisal Forms

The performance appraisal forms will be filled twice a year to get a clear picture of the employee performance (Annexure). However, the focus of the performance appraisal is on result or objectives set at the beginning of the evaluation period, for instance sales target and the service quality; are two types of objectives.

The Appraisal form is first filed by the supervisor specifying the objectives and their respective weightage. This report filled by the supervisor, is then reviewed by the department head who then either amend or approve the evaluation. The employee is also given the chance at this stage to declare his / her opinion to the Dept. Head concerning the evaluation of his / her direct supervision regarding his / her performance

3.5.9 Results of Performance Appraisals

After the whole process the Human Resources Department than collate all data pertaining to the appraisal ratings, increments, salary adjustments and promotions in summary form or quantitatively, showing the last three years practice of the Company after obtaining the final approval from the President. The data is then processed by the Human Resource Department

The appraisal categories and allocated increments are as follows:

Appraisal category	Definition of category	% of total number of employees which can be rated in this category
1. Expert	Indicates Exceptional Performance that consistently exceeds the requirements of the position.	15%
2. Very Good	Indicates performance that consistently meets the requirements of the position. This evaluation will normally be used to describe performance of high quality that meets & occasionally exceeds <i>the existing</i> standards of the profession and expectations, as well as a high quality standard of the Company. Performance “Very Good” indicates the individual is on track for advancements.	10%
3. Good	Indicates Performance that requires improvement (i.e. meets requirements without initiative or advancement)	8 %
4. Basic	Performance to be improved (Hardly meets requirements).	5 %

3.5.10 Annual Bonus

The employee at Mobilink can receive 1-3 month’s bonus which is subjected to evaluation of the objectives accomplished by him/her. The calculation of bonus is done based on Performance & Recommendations. This Information is sent from the Supervisor, routed through the head of the department & Chief Officer of that Department. The Chief Officer will forward the proposal to the VP Human Resources. The Human Resources Department will make a summary of the information and present it to the President for Approval.

Bonuses are subject to accomplishments if Individual / Departmental / Company objectives are completed within a stipulated time depending on what ever is applicable at that point of time. For an employee to be eligible for a bonus, the employee must complete 6 months in the Company service from the date of his / her appointment.

At Mobilink employee's development skills and abilities with an aim to achieve their potential by extending encouragement and facilitation for growth within the Company is an important element. This policy is also intended to identify employees with high potential for advancement.

3.5.11 Employee Training & Development

At Mobilink the HR Department develops the Company-training plan according to the recommendations made by their Supervisors in the performance appraisal form.

After the annual appraisal there is a differentiation between problems that require training and problems that require coaching or other solutions. Usually, only about 20% of performance problems require "training" solutions. The other 80% are best dealt with by looking at the quality of supervision or by factors in the work environment (rewarding good performance, punishing poor performance, and removing obstacles to good performance). However, the HR Department usually coordinate all the tasks until a total Company-training plan is finalized, then follow-up with Department Heads on its implementation.

The Human Resources Department eventually develops and coordinates for individual employees and departmental programs, aimed towards specific goals of development. In some cases employees are also sent for the foreign trainings. The objective of such training/ development programs is to upgrade the capabilities and efficiency of all those employees and prepare them for more responsible positions in future. Also, to build those skills, attitudes and knowledge which contribute to the development of both the employees and the company.

In addition it facilitates employees with Short Management Courses from time to time. The HR department selects/identify the needs, by management levels, for the total Company. These programs provide employees a variety of Job Skills, Technical, Clerical, Supervisory and Managerial courses. These provide employees with appropriate opportunities to improve their work performance, to enlarge their capacity for greater responsibility within the limits of their potential and to advance on a Company-wide basis.

As a result a plan is made focusing on the individual discipline needs into one schedule designed to meet the training needs of the total Company. The basic motive behind such a plan is to provide employees with appropriate opportunities to improve their work performance, to enlarge their capacity for greater responsibility within the limits of their potential and to advance on a Company-wide basis. However, it's also an attempt to keep high potential, high talented employees moving up the organizational ladder. Keep every key position backed up by an adequate number of fully qualified replacements within the organization. Key positions are those, which are considered to be critically important to the Company's success and which generally, require considerable Company experience. In all cases, the President or his designee should make the final determination of key positions in Mobilink.

3.5.12 Career Development

The training programs help in filling every position vacancy with the best-qualified person obtainable. Recruiting first from within the Company and going outside only when a fully qualified person is not otherwise obtainable. In addition it helps keep high potential, high talented employees moving up the organizational ladder. High potential employees in the company are those who are highly motivated to achieve corporate and career objectives. All this provide a way to keep every key position backed up by an adequate number of fully qualified replacements within the organization. Key positions are those, which are considered to be critically important to the Company's success and which generally, require considerable Company experience. In all the cases, the

President or his designee should make the final determination of key positions in Mobilink.

3.6 Paktel

3.6.1 Company Background

Paktel Pakistan is a subsidiary of Millicom International Cellular S.A. ("MIC"). Paktel was previously owned by Cable & Wireless and was bought over by MIC in the year 2000. Millicom International Cellular (MIC) S.A., based in Luxembourg. MIC S.A. currently has an overwhelming interest in 34 cellular operations in Asia, Africa, Latin America and Russia, covering a popular under license of over 584 million. Instaphone is a lucid example of the MIC Global Standard for Cellular Excellence, benefiting from international resources to cater to the needs and interests of cellular customers in Pakistan. Knowledge and experience gained by Millicom is transferred around the world with ease and applied to the benefit of all customers served by the Group in different parts of the world.

Paktel Limited, itself was pioneers of cellular technology in Pakistan laid the foundation of the mobile industry in 1990 and set standards for others to follow. As one of the leading cellular service providers, with the largest active subscriber base, Paktel thrives on dynamic marketing policies to address customer needs and a rapidly changing market place. In a highly competitive market scenario, Paktel provides its customers with the largest active subscriber base, widest coverage network, backed by dynamic marketing strategies to be truly ahead. Paktel holds honor of Pioneering coverage to an ever expanding network of 185 Cities.

When Paktel started its operations in Pakistan as the leading Cellular operator in 1990, there was no concept of cellular telephony and for a long time mobile phones were considered a rich man's luxury. This perception was however changed with the launch of Tango, Paktel pre-paid brand. The Marketing campaign for Tango was based on the Tag-line – only silence is cheaper.

Customer base has grown more than 3 fold since the launch of Tango. However, Paktel Post-Paid brand has a strong and loyal customer base and many of Paktel customers have been with us since the time Paktel was launched. Paktel launched SMS services in 2003 and the use of SMS and other related services is on the increase. With the launch of Paktel GSM services in 2004, Paktel became one of the leading players in the Pakistani Cellular Market. Launch plans for GSM are the most aggressive the cellular industry has ever seen.

During the past decade Paktel has built a reputation for excellence with the widest coverage, network quality, customer services and value-added facilities that have earned Paktel the respect of consumers and industry experts. Paktel offers the widest range of cellular services with real utility, designed to make our customer's life easier and their communication more powerful. All of Paktel services are designed keeping in mind customer preferences, needs and requirements.

- Widest Coverage
- Instant Connectivity
- Superb Sound
- Value-added Facilities
- Efficient Customer Services
- Value for Money

Paktel is organized along functional lines. Various functions also known as departments are Human Resources, Sales & Marketing, Customer Services, Finance and Administration. The management of Paktel is committed to promote and maintain ideal employer-employee relationship; recruit applicants for employment purely on the basis of fitness, ability and merit. Provide employees with healthy working conditions and adequate compensations. Assist in the continuous growth and development of all employees to make them better qualified and trained not only for their own jobs but for advancement towards jobs of higher responsibility and greater challenges; and treat all employees justly, fairly and impartially.

3.6.2 Values and Guiding Principal

- Diversity and inclusiveness at all organizational levels.
- Excellence, innovation, creativity and continuous learning and improvement.
- Teamwork and the development of strategic relationships with our customers.
- Honesty, openness and integrity in our interactions with our customers

3.6.3 Strategy

With Paktel's introduction of GSM technology and a fresh, revitalized corporate look and brand development is a reflection of their commitment to attracting new customers and consolidating their position as the leading mobile phone company in Pakistan. But with the costly transition from TDMA to GSM Paktel is now focusing on reducing cost till the time they will be able to launch the GSM technology in all of its subscribed cities.

Besides Millicom International Cellular the parent company of Paktel has been having a strategy of being the low-cost provider, focused on prepaid services using mass market distribution methods. Therefore Paktel is following the same grounds to pursue high growth while delivering operating profitability.

3.6.4 Structure

The Company structure is in four Layers, comprising National Managers, Senior Managers, Executives and Officers.

With the change in management and the emphasis on the cost reduction the company has also flattened the structure by removing a layer from the structure basically the Directors. In addition the company has also started hiring the contractual staff instead of the permanent.

The department heads are called National Managers and they directly reports to the Chief Commercial Officer, however the HR and the Finance department are both headed by the

same person Chief Finance Officer. Promotion from one level to the next is dependent seniority.

In addition to these usual layers in the structure there is a separate structure in every region as well headed by the Regional Manager and next his/ her team. The reporting relationships of each and every employee are predefined usually one supervisor at a time therefore one direct reporting line. The structure is attached at the end in the Annexure.

3.6.5 Culture

When Paktel was operating under Cable & Wireless it followed a highly bureaucratic culture with strict operating procedures. The employees were required to follow the instructions laid by the top management in the form of employee's code of conduct or operating policies. However, when it was taken over by Millicom International then there was a shift in the culture. As the management changed the conservative culture was changed into an open one, and the move is towards establishing a working environment that reflects the dynamic culture where employees have to be vigilant and aggressive in their dealings and working styles to get the maximum and best possible results for their own goals and for the over all organization.

3.7 Human Resource Management at Paktel

The fundamental objective of Human Resource function in Paktel is to ensure that every aspect of the organization, employment motivation and management of people is integrated with the strategic objectives of business and contribute to the successful achievement of those objectives

As a strategic partner with organization's leadership, HR at Paktel try to develop and deliver innovative human resource programs and services designed to support the mission of the company. The core services and competencies include recruitment and staffing, employee relations, organizational and employee development, risk management, compensation and benefits, payroll, HR information management, and regulatory compliance. However the basic aim of all the HR policies is to keep the employees motivated so that they can perform better.

At Paktel most of the HR practices or activities are outsourced and there is no as such proper established HR department.

3.8 Performance Management at Paktel

The performance appraisal process put focus on the evaluation of result as well as attitude. The objectives are given to employees in the beginning of the year or at the end of the appraisal period (for next year). These objectives are closely monitored by the supervisor; however in the final that is annual appraisal the attitude is also evaluated and given waightages keeping in mind the behavior of the employee throughout the year.

3.8.1 Objective

The objective of performance management at Paktel is to assist employees to continuously improve performance and reward them when they do improve performance. Their performance review philosophy reinforces all of the company values but with emphasis on the values of Performance Driven and Respect for the Individual/Team Player.

The main objective for the Performance Review is to provide employees with clear and concise feedback on their performance. The underlying values of performance assessment are:

- Organization First - in all our business decisions. Growth, Efficiency and Identity are common elements across the company. Everyone's task is to raise the profile of the organization as a leader in cellular communications.
- Customer Focused - customer service is the responsibility of all. We help our customers to define their requirements, care about their problems and work with them to find their solutions. We are responsive and flexible in meeting their needs and are always friendly and attentive towards them.
- Performance Driven - performance must be reflected in excellent returns for our shareholders. We are hungry for growth in every area of our business and deliver

what we agree. We expect high level of performance from everyone and recognize excellent performance.

- Respect for the Individual/Team Player - we respect each other and are candid and honest in what we say to each other. We equip and support people to be effective in their roles and provide opportunities for professional growth. With particular emphasis on developing people as effective team players ensuring that they have the skills and attitude to work as part of a team, communicate openly and honestly and always achieve the assigned team task.

3.8.2 Job Description

The formal process of performance management usually begins by writing the job descriptions. At Paktel the format of the job description is available and the supervisor has to define the job responsibilities of his her reportee. The job description form is then filled accordingly and in keeping in mind the targets the employees has to achieve during the year.

3.8.3 Employee Orientation

After employees are hired on the basis of job description they go through an orientation programs which is the responsibility of local office. Infact a whole bunch of material containing details of company policies is handed over to the new employees so that they can have a know how of company policies and procedures.

3.8.4 Frequency of the Performance Review

At Paktel regular informal one-to-one review meetings (REC Talks) are used to review the performance of the employees on monthly basis. This greatly reduces the pressure and time required for the annual formal appraisal meeting. Holding informal reviews every month is ideal for all staff. In this way the manager is better informed and more up-

to-date with his or her people's activities (and more in touch with what lies beyond, e.g., customers, suppliers, competitors, markets, etc). Similarly difficult issues can be identified, discussed and resolved quickly, before they become more serious.

In addition to this there is a formal annual evaluation done at the year done and it is done separately without taking any points from the REC Talks.

3.8.5 Performance Appraisals Process

The formal process of annual evaluation at Paktel requires and includes the previous performance appraisal documents and a current job description. Venue - ensure a suitable venue is planned and available - private and free from interruptions - privacy is absolutely essential.

Before the appraisal is finished a few things are completed as a review and data gathering, holding a preliminary meeting with the employee, and employee preparation of a self-appraisal.

At the beginning of the appraisal year **Goal Setting** process is done where objectives are assigned to the individuals on the basis of the their departmental goals

Paktel follows **SMART** principal that is-the objectives or goals set should be

Specific: Be very clear about the outcome you desire. The objective should be related to a single theme.

Measurable: Quantify your objective so that you can measure progress and completion.

For example: ask this question – what needs to happen that will indicate the achievement of specific objective.

Achievable: Your objective must meet in the realm of the possible, something achievable.

Results-oriented: It must be an outcome that can be realized by taking specific actions.

Time frame: It should have some time frame (a start and end time/date).

Exciting: To be effective (and to ensure completion) your objective must excite you, and that they should not conflict with the organization's vision and your motivators.

3.8.6 Employee Training & Development

At Paktel an overall plan is agreed with the appraisee, taking into account the job responsibilities, the appraisee's career aspirations, the departmental and whole organization's priorities, and the reviewed strengths and weaknesses.

Employee potential assessment is based on the employee's effectiveness in present job and readiness for career progression possibilities now, or at a future date. A brief summary of current job responsibilities and future assignment possibilities is made. If the assessment of employee's potential suggests that he has promise then the employee is provided with needed orientation and experience. The appraiser considers a number of options like training course nomination, special assignments, coaching and on the job exposure.

3.8.7 Pay & Promotions

The pay is not linked with the performance but employees do get an increment as per the policy and the ratings they receive. For an employee getting a rating of 1 will get 11-12% similarly 2 -6% and the employee who is rated as 3 will get no increment. The promotions are also done on the basis of seniority level of the employees and all the top slots are filled by the senior managers of the company.

3.8.8 Career Development

Usually in Paktel top positions are filled by the employees on the basis of employee performance and seniority level. However, the company does provide some of the career progression opportunities by giving employees training where they can develop their job related skills. For the middle management there are other courses from time to time to improve the employee's soft skills. These help the employees to move further through their career ladder. However apart from that there is no formal policy for career development for all of the employees. One of the reasons could be that a lot contractual staff is being hired and very few of them actually get a chance to come in the permanent staff team.

3.8.9 Performance Appraisal Forms

There are two appraisal form used for employee evaluation one for the monthly review (REC Talk) and the other for annual evaluation. The appraisal form for the employees on probation is also different from that of permanent employees. The annual appraisal form for permanent employees is very comprehensive and has seven sections in it.

In the first section objectives & achievements are filled by the Appraisee/Employee and then rating is assigned to each of the objective by the Appraiser/Supervisor. Non sales staff is rated against each given objective or achievement and the ratings are from 1 to 3 (where 1 - Excellent, 2 - Good, and 3 = Needs Improvement).

RATING	1	2	3
DESCRIPTION	Superior	Fully Meets Expectations	Needs Improvements

However for Sales Staff the objectives or achievements are written against each given sales objective of the previous year and then are rated on a rating of 1 to 3.

RATING	1	2	3
ACHIEVEMENT	Above 105%	90% - 105%	Below 90%

Employee attitude or behavior is also evaluated on the basis of the extent to which this individual demonstrated competencies and/or management practices in achieving results.

One of the sections is devoted to the summary comments where employee's strengths are narrated. Any deficiency or behavioral condition that needs corrective actions to improve

performance is pinpointed here. Based on the needs corrective actions/training program are recommended. After the whole process is completed the final ratings are given. Bellow is given a chart of final ratings

RATING		DESCRIPTION
1	Superior	Performance consistently exceeds a majority of position requirements and is consistently ahead of peer group
2	Fully Meets Expectations	Performance fully meets position requirements and matches peer group
3	Needs Improvement	Performance fails to meet most position requirements and is below peer group

This rating is to be split into two sections, Performance and Attitude. Employee are ranked 1, 2, or 3 according to the details in the appraisal form, equal weighting is given to both aspects. The distribution of rank within the team is according to the following schedule:

PERFORMANCE RATING	DISTRIBUTION	ATTITUDE RATING
1	Up to Maximum 20%	1
2	Approx 70%	2
3	Approx 10%	3

Overall rating is base on the combination of performance and attitude ratings. Formula for calculating overall rating is:

$$\text{Overall rating} = (\text{Performance Rating} + \text{Attitude Rating}) / 2$$

The objectives for the next performance period are also discussed at this point of time, and are written down. This form is retained by the appraiser and a copy each given to the employee and Corporate Human Resources.

Chapter 4

Analysis

4.1 Mobilink

4.1.1 Human Resource Management at Mobilink

Being a market leader in the Mobile phone communications Mobilink tries o keep itself abreast with the international standards in all of its practices. The HR Policies of the company are meticulously developed keeping in mind the need of the company to attract and retain a high-quality workforce to remain competitive in the industry. Although a dominant player in the market Mobilink is going through aggressive growth and expansion strategy and there are a lot changes in the structure as well

With an established HR Department role of HR in company affairs has not been as vital as it should have been. The Department does not do much except for maintenance of employee data. With the element of bureaucracy in the organization, it is very difficult for the company to use its HR policies effectively. However recently with the entry of two new cellular companies the HR department of Mobilink has become very active and they have initiated many company wide programs to keep the employees motivated in a way to make their performance better. A lot has been done on the HRD side as well.

4.2 Performance Management System

The Performance Management System at Mobilink is result oriented. As the company strives to increase the number of sales in order to lead the market or maintain its market leadership therefore there are sales targets set in the beginning of the year keeping in view the strategy of the company and the goals of the respective department in that year. These goals are discussed in the beginning between the supervisor and the employee. The same goals are than made a part of the job description of the employees. This helps both the supervisors and the subordinates to regularly monitor their performance and can work

on the lag areas to improve their performance throughout the year as the target achieved or not are clearly visible.

However, if we look at this goal setting process more closely, all the employees are given with individual goals and they are also being evaluated on individual bases. So every one is thriving for their own interest regardless of what others are doing. This diminishes the synergic effect from the organization. Instead of working for the organization, everyone is working for their own interest. Employees are competing against each other to get the maximum recognition from the management. This creates an environment of unrest within the organization. This directly affects the employee's attitude and working behavior. They are utilizing their energies to out perform their peers rather than focusing on important issues like customer services and might even temper the bank's environment.

The performance management system used in Mobilink has some validity in a way that it measures the targets planned at the beginning of the year for every department and their respective employees who are then evaluated on the basis of those objectives. However, the deficiency it has is that it does not assess the behavior of the employees even those employees whose behavior directly affect their performance like the sales force having direct contact with the customers. There is no reliability in the process as there is a lot of subjectivity involved in the annual appraisal, and the employees are rated on the supervisor's whims. There is a general level of acceptability found in the department as no employee can practically reject his or her appraisal as long as he or she is staying in the company.

There is a very low level of specificity as well, as the appraisal focuses on the achievement of result and it does provide some link to the strategic goals of the company but does not put any emphasis on employee development. Employees are developed as there is formal procedure of employee development followed by the company but as there's a lot of subjectivity involved in the process it is seldom on merit which eventually makes it very difficult to guide employees about what is expected of them.

4.2.1 Strategic Congruence

At Mobilink every department makes goals for their respective departments and then on the basis of these broad goals the objectives of employees are being set and later on are even evaluated on those goals. However, the company's strategy of providing best customer services cannot be implemented properly unless employees are trained for this and are evaluated on their behavior and attitude as well, as the appraisal only evaluate performance on the basis of objectives or targets being met.

4.2.2 Performance Review

Employee performances is said to be reviewed on biannual basis which help the supervisor to keep track of employee performance. However, the appraisal cycle starts from Jan-Dec which makes it yearly. In this yearly appraisal process there a clear indication that there is no way of recording the day to day or even quarterly performance. This shows a loop hole in the whole process as it provides a way to supervisors to show their biasness in the final evaluation. The performance is not recorded during the year and by the end of the year when the employee is going to be evaluated, the supervisor might not be remembering some instances where he performed really well.

4.2.3 Appraisal Form

Another factor worth noticing is quite evident on the appraisal form. The performance objectives or Key performance Indicators (KPIs) are although specified for the next year are also subjected to the supervisor's whims, like if the employees has done a task better than the other, it is the choice of the supervisor to assign as much of weightage to it as he/she wishes to. The same kind of form is being used organization wide which is result based, and has no element of competencies or behavioral part in it. However the walk in center staff who has direct dealings with the customer are suppose to show a certain kind

of behavior to the customers for this there must be some basis on which there behavior be evaluated

4.2.4 Employee Feedback

Although employees are given the right to disagree with their supervisors' ratings or assigned weightages but it is seldom that they disagree with the supervisor. The fact remains that the employees cannot freely disagree with the supervisors on the kind of appraisal he/she has done. This tempers the relation between them. The employees usually disagree with their supervisors openly only when they are about to leave the organization or they have solid grounds and proofs to claim in their rights. So the right to express is not so open within the organization and the employees have to bear with their evaluation the supervisors have done for them. This reduces the element of fairness and introduces the element of appraisal biasness.

The rating key again is subjected more to the supervisor's opinion and is/her relations with the employee than that of the actual performance of the employee. As the supervisor can rate the performance as the way he/she wishes to. Although in most of the cases performance appraisal process is dependant on the supervisor's evaluation, but here even the task of assigning weightings by the supervisor himself makes it more prone to appraisal biasness. The rating system for performance evaluation itself is open to subjective judgments. One manager's idea of "excellent" can be quite different than another's idea.

4.2.5 Employee Development

At Mobilink although there is typical training structure devised by the HR department for every employee, there is a separate portion available on the form as well which works as a TNA and identifies training needs. A constituent of the performance management process is development of employees' work-related skills, knowledge and experience.

However, as the whole evaluation is also dependant on the supervisor, same is the case with the developmental part present on the form just for the sake of it. There is not much of evidence found in the company in this regard, as according to the general perception found in the company it is seldom on the appraisal that one gets training.

Further in order for staff to develop and learn they need to know what they need to change, where (specifically) they have fallen short, and what they need to do. If a manager assigns (unsatisfactory) to the dependability criterion, what information does that convey (by itself) to the employee? Not much. It just says the manager is dissatisfied with something. And in this case the employee is left ambiguous as to what he or she lacks.

4.2.6 Pay & Promotions

The promotions of the employees at Mobilink are also linked to their performance. However, seniority level is also kept in mind in the promotion of the employee along with his/her performance. Tying promotion to the performance ratings makes it very confusing, as the objective is to be partial in the promotion decision but it makes it more subjective. The manager has the full right to rate an employee either up on the scale or high without justifying the ratings to him or her. Besides the weightages that the manager has to assign to the objectives or KPI's also make it more open to unfairness.

The issues that need to be looked into deeply as when pay and performance appraisal are closely linked: the pay issue may overshadow all the other purposes of performance appraisal, there may be a tendency of employees to withhold negative information about performance, leading to less than frank appraisal discussions; employees may adapt their behaviors to focus only on receiving good ratings, rather than genuinely improve their overall performance.

4.3 Paktel

4.4 Performance Management at Paktel

The performance evaluation at Paktel is based on both objectives as well as competencies. Though there is more focus on the objectives, especially for the sales staff whose evaluation is purely based on their achievements of sales targets. The evaluation of probationary employees is purely based on the behavior that they exhibit during that period.

The company has recently launched the GSM technology in 21 cities and working on the completion of its launch in 180 cities therefore, the company is paying attention on cutting back its cost and that is why the strength of permanent employees is gradually reduced by hiring most of the contractual staff. There is a strict follow up of the targets that is why monthly review (REC Talks) is used which provides direction, and more flexibility than a single annual review allows. As priorities often change through the year, so people are re-directed and re-focused in this manner.

The 'fear factor', often associated by many with formal appraisals, is greatly reduced by this process as people become more comfortable with the review process. Staff members are better prepared for the formal appraisal, giving better results, and saving management time. Much of the review has already been covered throughout the year by the time comes for the formal appraisal. And frequent review meetings (REC Talks) increase the reliability of notes and performance data, and reduce the chances of overlooking things at the formal appraisal.

Another issue is that of the central tendency as forced distribution is used to rank the employee finally. This adds subjectivity to the whole of the appraisal process as employees are forcefully put into the ratings sometime due to the fixed percentages given to the ratings. This can lead to a lot of disturbance among the employees who are not rated as per their performance. And although the company has started using the monthly review process which has more focus on achieving targets but even then the weight given

to the objectives is equal to that of attitude which is makes it more open to supervisor's bias.

Similarly all the employees are given individual goals and they are then evaluated on individual basis, so every one is focusing on the aspects related to their performance neglecting those of the others. Consequently there is less cohesion in the company in terms of being effective as an organization. Instead of working for the organization, everyone is working for their own interest.

The performance management system used in Paktel is valid as it measures the performance objectives planned at the beginning of the year for every department and their respective employees who are then evaluated on the basis of those objectives. In addition the behavior of the employees is also assessed in the annual appraisal. There is some level of reliability as well in the process though some sort of subjectivity is involved in the annual appraisal, but employees are generally rated on their performance. Acceptability is found among the employees of the company as no employee ever disagrees with his or her appraisal at least till the time he or she is staying in the company.

There is a very low level of specificity, as the appraisal focuses on the achievement of result and provides link to the strategic goals of the company but does not put any emphasis on employee development. Employees are developed as per their supervisor's ratings and the departmental need more than then performance problem. However in some of the cases employees are provided with some sort of training for performance improvement as there is no formal development policy in the company but this leaves less room for the employee to develop himself and for the supervisor to guide the employees on their career.

4.4.1 Strategic Congruence

Paktel is following a strategy of cost reduction therefore the focus is on achieving results. Every department makes goals for their respective departments keeping the strategy the company is following to gain maximum profitability. These broad goals are then cascaded down by assigning employees goals related to it similarly, employees are evaluated on those goals. The company is following a strategy of low cost and is using forced distribution in its annual appraisal as well is very much valid.

But the appraisal form contains both the section one on objective and the other competency. There is division of fifty percent weightages to both of them. However in a company like Paktel where meeting targets is very crucial this division of fifty /fifty is somehow not suitable.

4.4.2 Performance Review

The performance is reviewed in terms of activities, tasks, objectives and achievements one by one, keeping to distinct separate items and in this way tangents or vague unspecific views are avoided. There is more concentration on hard facts and figures, solid evidence. Therefore monthly review in the shape of REC Talks is done. Frequent reviews facts and figures although are the acid test and provide a good neutral basis for the discussion, but the competency requirement and their equal wieghtage makes it open to some amount of partiality.

4.4.3 Employee Feedback

Usually there's no formal feedback process in work at Paktel, but usually a supervisor gets to know the employee's view due to the frequent review meetings in the shape of REC Talks. The right to express someone's disagreement is not so open within the organization and the employees have to bear with their evaluation the supervisors have done for them. This is partly due to the fact that forced distribution is being used by the

company to rate employees. However, this reduces the element of fairness and introduces some element of appraisal biasness.

4.4.4 Appraisal Form

Paktel has a very comprehensive annual appraisal form. The performance objectives mentioned are changed on the basis of individual tasks although specified for the next year are also subjected to the supervisor's whims due to the defined categories of where a supervisor has to put the employee. The same kind of form is being used organization wide which is result and competencies based with same weightages. Although most of the focus is towards obtaining results and which makes it irrelevant on having the same focus on result and behavior. It may be applicable to the walk in center staff having direct dealings with the customer and are expected to exhibit a certain kind of behavior but not for the whole of the organization. Another form RECK Talk is used to review performance on monthly basis also focuses on objectives being achieved and still is not given any weightage in the final appraisal.

4.4.5 Employee Development

The employees do receive training and there's a separate portion available on the form as well and the management also put a lot of focus on the development of candidates but it is restricted to the high level positions. The candidates who are being considered for high management positions are chosen not on the basis of their performance but on their seniority. Therefore, the employees who are new to the organization and are at a lower level have little chance to develop.

However the fact remains that for training and development, a well-designed performance management system should be the cornerstone of the company for employee development efforts. The greatest employee development occurs when managers continuously coach and mentor their employees' on-the-job experience. This experience creates additional employee capabilities and competencies. The traditional view of employee development as what takes place in a classroom is much too narrow. The more

effective, broader view requires that firms must understand the meaning of performance management.

For a performance management system to be an effective tool in employee development, feedback must be immediate and continuous – not saved up all year long and dumped on an employee during an annual review. At Paktel employees are ranked by using forced distribution it becomes difficult for the supervisor to provide feedback to the employee regarding his or her performance. The performance results are realized when a supervisor gives feedback and helps an employee “course correct” while in the middle of solving a problem.

The missing link in the implementation of performance appraisal processes in Paktel is training. The manager is uncomfortable in the judgment seat and the employee often becomes defensive. Training for both managers and employees is essential for altering these attitudes so that performance appraisal becomes an effective and smooth process.

Training on giving and receiving feedback, identifying common factors that distort objectivity in ratings, facilitating dialogue, understanding common legal challenges, and setting performance goals should be frequent and continuous.

4.4.6 Pay & Promotion

Paktel has not tied the pay with the performance nor is the promotion tied to it. Employees are promoted mostly on the basis of their seniority and it is very rare that they are promoted only basis of their performance only. Although performance appraisal is reviewed before promoting the employee but the weightage given to it is minimal. However the fact remains that by not linking promotions directly to the performance of the employees there is a little room left for employees to develop and excel in the organization and hence the result would be in is less motivation and dissatisfaction among the employees.

4.5 Comparative Analysis

The comparison between the performance management systems of Mobilink and Paktel is not easy as the two companies are following altogether different strategies. Paktel has launched its GSM few months back and is still establishing its networks in different cities on the contrary Mobilink is a market leader and is a brand name in the market with widest coverage and customer base. However Paktel has also enjoyed leadership at one point of time in Pakistani cellular market bring the first entrant, but that was only when it launched its AMs technology. Now Paktel has relaunched itself by introducing GSM technology and is still establishing its networks. On the contrary Mobilink has an established GSM network and is now focusing on the establishment of its departments specially HR. Paktel has most of its HR practices outsourced as the company is still in the launch phase and is focusing on the development of its network rather than its policies and procedures.

However the performance management in both of the companies has its strengths and weaknesses. To analyze them effectively one has to bear in mind the fact that they are operating in an industry where results are more focused upon than the behavior. Although there are sales and non-sales targets but the focus is towards obtaining sales, most of the employee evaluation is based on that. The performance management plan in Mobilink is much more comprehensive and detail than that of Paktel as in Mobilink a lot is done on employee development side. There are clear career path ways for employee progression. In Paktel the policies and procedures are better defined, for instance there are three different forms of evaluation. Besides that employee appraisal does put focus on the behavioral part; but the division of fifty and fifty is not suitable for a result-oriented culture. Another factor there is no congruence to the company's strategy which focuses on results rather than behavior. However, in both the organizations the appraisal bias is the most common factor present in the appraisal, the managers have full authority to rate the employees as per their whims like any other local company.

The pays, promotions and employee development are to some extent linked with the annual appraisal of the employees in Mobilink; this itself provides enough of motivation to the employee. However, in Paktel promotions are done on seniority basis and pays are not linked to the performance. By not linking pay with the appraisals Paktel is minimizing the individualistic culture but this is at the same time very demotivating as at times employees do expect some monetary rewards in their hand when they perform better, besides that by promoting employees on the basis of seniority there is not much room left for the new employees to develop their careers in the company unless or until they wait for a long time.

Moreover, in Paktel the monthly performance reviews although tiring, do keep the supervisor updated unlike Mobilink where there is no formal way to record the performance of employees throughout the year adding more to appraisal bias as when the manager is going to evaluate his/her subordinate it is purely on the basis of the his/her memory and will.

However if we try to look at the industry itself and the performance management practices in different companies, the focus is towards obtaining the results and most of the organizations have their systems aligned to it. However to line up the employee behavior towards these goals nothing particular is being done. The HR department of Mobilink is putting focus on employee performance and retention these days by introducing employee motivation programs and trainings, but in Paktel HR is still outsourced and the company does not have much of a focus on its network development.

Chapter 5

Conclusion & Recommendations

5.1 Conclusion

Formal systems for managing performance are neither worthless nor evil, as some critics have implied: 'Nor are they panaceas, as many managers might wish'. A formal performance management system is, at the very least, a commendable attempt to make visible, and hence improvable, a set of essential organization activities. Personal judgments about employee performance are inescapable, and subjective values and fallible human perception are always involved. Formal performance appraisal systems, to the degree that they bring these perceptions and values into the open, make it possible for at least some of the inherent bias and error to be recognized and remedied

The goal of performance is to achieve the company mission and vision. Almost no one performs, for the organization, however, if his or her own mission and vision are not accomplished as well. By improving the probability that good performance will be recognized and rewarded and poor performance corrected, a sound appraisal system can contribute both to organizational morale and organizational performance. Moreover, the alternative to a bad appraisal program need not be no appraisal program at all, as some critics have suggested. It can and ought to be a better appraisal program. And the first step in that direction is a thoughtful matching of practice to purpose.

However, no performance appraisal system can be perfect in its true sense. A necessary condition for the effective management of performance appraisal system in any organization is the need to clarify and communicate to all concerned, the objectives that the system intends to achieve. Everyone in the organization especially the key decision makers should be fully aware of precisely what objectives the system of performance appraisal is expected to achieve, and the priorities within these objectives. This makes an effective performance management system, one in which line managers lead and own, guarantees the employees will achieve their goals.

5.2 Recommendations

5.2.1 Mobilink G.S.M

Although Mobilink as a market leader has tried to strengthen its HR practices to a considerable limit, however the pitfalls of the PMS are still there and have not taken care of. Following are some of the recommendations they have to consider to make themselves dynamic in their respective sector:

- There is an element of appraisal bias present in the appraisal process as the supervisor has a lot control on it .In order to minimize it the wieghtage given to the objectives should be decided at the beginning of the year and then signed by the employee and HR department as well.
- There is no feedback mechanism developed for the employees. Employees just sign the form at the end of the appraisal period without even having any further question. Therefore the HR Department should conduct a survey in order to strengthen the feedback mechanism at Mobilink.
- Although there is a separate column available on the form regarding the development purpose of the employee as the level of supervisor's bias is very high therefore the HR department should itself suggest people for training by conducting a separate TNA especially for developmental purposes therefore all the employees get a chance to get an opportunity for development. The present form is also subjected to the supervisor's whims and it is seldom that an employee gets training on the basis of his or her performance.
- At present one form is used for all the employees, which has just the portion of objectives for the coming year. However, they need to customize it as per different department's needs like the walk in center and the call centre staff has direct dealings with the customer and they need to have a form which has some sort of competencies defined for them. So, that they must be evaluated on the

basis of the behavior that they show in customer dealings. Besides Mobilink is emphasizing on customer services these days so they need to have employees who could serve the customer very well while achieving their sales targets.

5.2.2 Paktel

Paktel has entered into the GSM market and it is still in its launch phase as it is working on its launch in its 180 cities. Most of the company's HR plans are outsourced so the company is now a days avoiding incurring fixed costs. The performance management system is planned keeping in mind the company's strategy, however it still lacks certain are still there and have not taken care of. Following are some of the recommendations

- One of the problems with the evaluation is its division of weightages to both the result and behavioral parts and which does not make a link to the strategy that the company is following. On one side the company is focusing on the achievements of targets in order to get maximum profitability keeping a strict track of goals by monthly review (while maintaining its low cost strategy) on the other side the company, in the annual evaluation of employees give equal weightage to the attitude which has no relevance to the achievement of the targets. So there should be balance between the two, instead of the division of 50% between the two more weightage should be given to the result and less to the attitude, ideally 70% to result and 30% to attitude.

- There is no career path defined for the employees as the promotions are based on seniority so it is highly restricted and has no element of performance attached to it. Therefore a step should be taken for linking promotion with performance and then seniority as per the present policy. In this way every employee will get a chance to excel and perform better.

- The company is currently using forced distribution to rate employees. In this way managers are forced to categorize employees based on the distribution rules not on their performance. All this is used to reduce the compensation cost of the company however, it also lead to the morale problems among the employees besides it does not leave a room for improvement among the employees as the supervisor is unable to specify the required area of development.
- If we look at their goal setting process closely, it is too stand alone kind of a procedure. Meaning, every employee is working for his or her own goals without much concern for the overall department or branch goals. In most of the times employees doesn't have a clue about the overall or end result of the goal. It is recommended that there should be some kind of synergic goals for the employees so that they are being forced to interact with each other to get their end results, as successful performance management also help in aligning the individual goals with those of the organization.
- The monthly review that is taking place in Paktel is to keep track of the targets given to the employee; however it is not included in the annual evaluation. One recommendation is that it should be made a part of annual appraisal and further the targets should be reviewed in three months as the period of one month is too short for the achievements of objectives. Besides too much supervision is required for conducting this and it demands too much from supervisors in terms of time and effort.
- A proper feed back mechanism should be developed as feedback permits an employee to learn how well he or she is performing; his superiors in solving problems that impede his productivity. This will also provide a room for an employee to make his/her performance better.

- All employees need to be trained on the appraisal process. They need to understand how the instrument was developed and how the process will take place. Therefore there should be some sort of training imparted to the employees so that they can also solve their performance problems through training.

- A proper employee orientation should be introduced where employees are told what kind of a behavior is expected of them in the company rather than just the information regarding the company policies.

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Annexure