

**Effective Feedback And Its Implementation In Performance
Management System: A Study Of Dr. Reddy's Laboratories Ltd.**

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ABSTRACT:

During planning and monitoring of work, deficiencies in performance become more evident and can be addressed. Areas for improving good performance also stand out, and action plan can be taken to help employees succeed further. At Dr. Reddy's Laboratories Ltd., the performance appraisal process is carried out through a tool called Performance Enhancement and Coaching Tool (PerfECT). Communication to employees about their ratings and formulation of developmental plans is carried out through a separate section called *Feedback and Consequence Management*. In this process, the superior and the employee have a formal meeting to discuss the rating and the developmental plans and also for the final closure by the employee. The employee can give his/her consent in this section. **The present study is both qualitative and quantitative in nature, which includes observations made during the formal meetings and the steps of performance management system i.e. performance planning, performance monitoring, training and development, performance appraisal and compensation management were assessed with a structured questionnaire.** The main aim of this study is to capture the feedback given by the employees and communicate the same to the HR department to improve the process. Some recommendations have also been given for further improvement in the Perfect process.

1. INTRODUCTION:

In the changing business scenario, where organizations are required to compete globally, benchmarks have become global. Organizational survival and excellence requires setting of global standards. Speed of change becomes a critical variable. Organizations have to react fast, learn from their experiences and aim towards achieving world-class excellence through constant learning and renewal.

Employee performance is basically outcomes achieved and accomplishments made at work. Over the years, consensus has developed about the minimum elements of an effective performance management system, particularly in three areas: a) Goal setting: the process of establishing objectives to be achieved over a period of time. b) Performance review: the process of assessing progress toward goals. c) Performance improvement plans: the process of addressing a specific individual performance issue. Performance management stems from control over resources. It creates processes to aid management development and reward.

The improvement of performance appraisal systems is a matter of sharing a social definition of performance appraisal that is congruent with the original intent decided by the organisation. The management development professional can aid the process by being educated about appraisal systems, analysing the potential benefits to the organisation, and accepting that all appraisers need training. To help performance appraisal reach its fullest potential, management development professionals need to be political strategists, appraisal system experts, trainers, salespeople and catalysts, in combination.

There are a number of methods to conduct performance appraisals. No single method can be considered ideal in all circumstances. The methods of performance appraisal can be broadly classified into two categories:

- a. Traditional Methods that include Straight Ranking Method , Paired Comparison Method, Grading Method, Checklist Method, Critical Incidents Method

- b. Modern methods that include BARS (Behaviorally Anchored Rating Scales), MBO (Management By Objectives) , Psychological Appraisals, 360 degree Feedback.

PERFORMANCE APPRAISAL AT DR. REDDY'S:

Dr. Reddy's follows a performance appraisal system named **PerfECT** that refers to **Performance Enhancement and Coaching Tool**. The objective of PerfECT is to increase the performance of the employees through employee development plans.

The people involved in the PerfECT process are:

1. *Employee* – the person whose appraisal has to be done
2. *Superior (level L+1)* – the immediate superior of the employee
3. *Reviewer (level L+2)* – the next superior of the employee
4. *Apex Review Committee (ARC)* – a committee formed of cross-functional superiors and reviewers (there can be multiple ARCs also for a particular unit or department)

The PerfECT form consists of eight sections, which include the key processes.

<u>SECTION</u>	<u>DESCRIPTION</u>
Section I	Employee Data / Details
Section II	Performance (Goal / Activity Setting) A → Functional / Project Goals B → Self-development Goals
Section III	Annual Review (to be filled by the employee)

Section IV	Performance Review (to be filled by the Superior) Includes Feedback and rating also
Section V	Performance Rating (to be filled by the Reviewer) Includes Feedback and rating also
Section VI	Overall Assessment (to be filled by Apex Review Committee)
Section VII	Development Plan (to be filled by the Superior)
Section VIII	Closure and Final Sign Off (to be filled by the employee)

2. REVIEW OF LITERATURE:

Performance Management

Performance can be defined as combination of results and behavior which leads to the accomplishment of specific objectives within time and cost constraints. At an organizational level of analysis, the success of an organization can be defined as successful attainment of its stated objectives. The organization that achieving its goal efficiently through effective implementation of suitable strategy is that which plays its role well (Otley, 1999).

According to Weiss and Hartle (1997) performance management from human resources perspective is a process for establishing a shared understanding about what is to be achieved, and how it is to be achieved; an approach to managing people which increases the probability of achieving job-related success.

‘Performance management is not achievable unless there are effective processes of continuous development. This addresses the core competencies of the organisation and the capabilities of individuals and teams. ‘Performance management’ should really be called ‘performance and development management.’ (Armstrong and Baron, 1998)

Storey (2002) describes that performance management system is referred to those various attempts that are designed to ensure that the organization and employees work efficient and effectively. From this definition it is clear that the target to be managed should be range from individual employee to the entire organization. She further explained that the focus is not just on effort and efficiency but with the effectiveness it means that the right things should be achieved.

Amaratunga and Baldry (2002) suggested that function of performance management is that of a tool for an organization and that organizations can use to track progress and direct towards strategic goals and objectives and should focus on whether the organization has met its performance goals and targets. They further explained that there must be a goal achievement analysis that makes clear that whether the organization is performing well or there is need of improvement.

Rudman (2003) is of the notion that performance management system is a method that combines human resource management performance with the objectives of the organization. Its aim is to concentrate on the areas where management and HR performance are combining to manipulate people behaviour to hold up the organization's strategy. He also stressed that the performance management system must fit with the organization's culture. In his viewpoint, Performance management system is a kind of completed and integrated cycle for performance management.

Frankema et al. (2008) explained performance differences of knowledge intensive project teams. Team level data gathered at three measurement moments were used. Antecedents of performance studied were: trust in team members, trust in supervisors, monitoring by team members and monitoring by supervisors. Heedful interrelating a concept developed by Weick and Roberts (1993) was expected to mediate between trust in team members, monitoring by team members and team performance. Correlation analysis and structural equation modelling were employed to analyse the data. The results show that heedful interrelating of team members, built on a combination of trust and monitoring by team members and trust in supervisors is an important factor in promoting team performance.

An HR related system that has been under scrutiny for a long time is the Performance Management System (PMS). Organizations have constantly grapples with various

issues in this domain. Many questions have been raised and debated on – What is the most ideal performance management system? How does one go about design, implementation, monitoring etc.? Where does assessment end and development start? Which feedback system is suitable for the Indian culture? How can the PMS be used to meet both organizational and individual objectives? This study tries to analyse these questions in context of Dr. Reddy's and suggest improvements as observed during the course of study.

3. OBJECTIVES OF THE STUDY:

1. To study the performance management practices used in the organization.
2. To analyze the Performance appraisal process at Dr. Reddy's.
3. To know the perception of the employees for the effectiveness of existing performance management system.
4. To monitor the quality of feedback given to the employees.

4. RESEARCH METHODOLOGY

Research Design

This study is descriptive in nature. A structured questionnaire was used to measure all the steps of performance management system that include performance planning, performance monitoring, training and development, performance appraisal and compensation management. Qualitative semi-structured interviews were carried out to capture the views of employees.

Research instrument

The data required for conducting this study will be collected by using self administered

questionnaires. The questionnaire is divided into three parts.

Part I of the questionnaire relates to demographic variables of employees such as **designation/level, age, gender and years of experience** in the organization.

Part II comprises of a 42 item self-structured questionnaire for Performance Management system.

Statement 1-Statement 8- Performance planning
Statement 9-Statement 13- Performance monitoring
Statement 14-Statement 24- Training & development
Statement 25-Statement 32 – Performance appraisal
Statement 33-Statement 42- Compensation

Target population:

The departments that participated in the process are: Production / Manufacturing, Warehouse, Stability, Contract Manufacturing, Quality Assurance (QA), Central Quality Assurance (CQA), Plant Quality Assurance (PQA), Supply Chain Management, Sourcing, Delivery Planning, Logistics, Projects, Technology Transfer Group (TTG), Quality Control (QC), Safety, Health and Environment (SHE), Engineering Services, Security and Administration, Human Resources

Sampling

The criteria for inclusion of employees in the sample was that they must have been through the performance management process at least once. Simple random sampling was used to select the employees from the sampling frame of middle and lower managerial level employees.

Data collection

The method used for collecting primary data is interview and questionnaire method. The secondary data collected for this study includes text book reviews, journal reviews, internet reviews and dissertation reviews. 120 employees were selected to carry out the study. The research instrument was validated using this data.

Process of discussion:

The superiors (L+1s) call their subordinates for the discussion. The positive aspects of performance during the year are discussed. The rating and other feedback is communicated by the (L+1) to the employee. Development plans are noted down by taking into consideration the consent, ideas and suggestions of both the employee and

superior (L+1). Feedback is recorded irrespective of the rating given to employees and it is analyzed to help the HR department in formulating the development plans for the employees. Technical trainees (TTs) were excluded from the process.

5. DATA ANALYSIS

Various statistical analyses like descriptive analysis, correlation and linear regression analysis were performed to arrive at the results. Statistical Package for Social Sciences (SPSS Version 20) was used to analyse the data.

The data was converted into standardized scores to make it normally distributed and then applied the tests such as t-test, Anova which have the basic assumption that data should be normally distributed.

Overall profile of the respondents was examined. Descriptive statistics such as means, standard deviations and reliabilities (Cronbach's alphas) for all the variables used in the study were used to describe the demographic profile.

Findings

Cronbach Alpha for the dimensions and overall for Performance Management system as displayed in the table below:

Table 1- Cronbach's Alpha coefficients

N=120	
Performance planning	.764
Performance monitoring	.695
Training & development	.632
Performance appraisal	.926
Compensation	.920
Overall	.842

Since, according to Nunnally (1978), an alpha coefficient of 0.6 or higher is necessary for an exploratory research or survey to be considered reliable, this questionnaire can be therefore be regarded as reliable.

H₀1: No difference exists in satisfaction levels towards effectiveness of existing performance management system among married and unmarried employees.

Independent samples t-test was performed for examining the difference among married and unmarried employees for assessing satisfaction towards performance management system.

Table 2-

		Levene's Test for Equality of Variances				
		F	Sig.	T	Df	Sig. (2-tailed)
PERF_OVER ALL	Equal variances assumed	.050	.823	-.296	118	.768
	Equal variances not assumed			-.293	102.640	.770

The Levene's Test For Equality Of Variances runs an F test to determine homogeneity of variance. The significance value of .823 tells that the difference is not significant (it is not $p < 0.05$), therefore equal variances are assumed. It can be concluded that no significant difference exists between the satisfaction towards performance management system among married and unmarried employees. Null hypothesis is accepted at $t(118) = .768, p > 0.05$.

H₀2: No difference exists in satisfaction levels towards effectiveness of existing performance management system among employees with regard to their qualification levels.

One-way Anova was performed to find differences if any, exists among the satisfaction levels towards effectiveness of existing performance management system among employees having different qualifications.

Table 3-**ANOVA****PERF_OVERALL**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4215.804	3	1405.268	2.003	.117
Within Groups	81378.996	116	701.543		
Total	85594.800	119			

Null hypothesis is accepted and it is concluded that no mean is significantly different from one another mean $F(3,116) = 2.003$, $p > 0.05$. Since the differences were not significant, post-hoc test was not required to be performed

H₀3: No difference exists satisfaction levels towards effectiveness of existing performance management system among male and female employees.

Independent samples t-test was performed for examining the difference among male and female employees for levels of satisfaction towards effectiveness of existing performance management system.

Table 4-

		Levene's Test for Equality of Variances			
		F	Sig.	t	df
					Sig.(2-

						tailed)
PERF_OVERALL	Equal variances assumed	.924	.338	1.902	118	.060
	Equal variances not assumed			1.875	95.843	.064

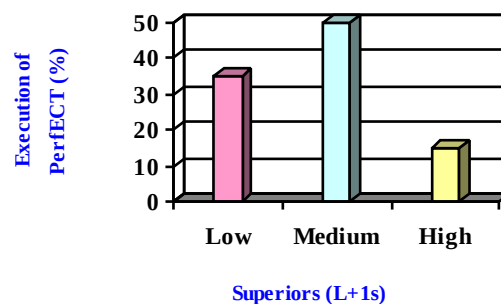
The significance value of .338 tells that the difference is not significant (it is not $p < 0.05$), therefore equal variances are assumed. It can be concluded that no significant difference exists between the levels of satisfaction towards effectiveness of existing performance management system among male and female employees. Null hypothesis is accepted at $t(118) = .115, p > 0.05$.

The Performance Enhancement and Coaching Tool (PerfECT) closure process can be analyzed as:

PerfECT Understanding of the Superiors:

The PerfECT Understanding of the Superiors is analyzed on the basis of these criteria:

- 1) *Give honest and fair rating and feedback to the employee* – the superior has to be successful in not showing any kind of bias while rating the employees
- 2) *Formulate the development plan* – during the course of the discussion, the superior has to formulate the development plan taking into the concerns and suggestions of the employee also
- 3) *Awareness to the ARC proceedings and communication of the same to*



employee – if the (L+1) does not attend the ARC meeting, he has to be aware of the feedback given and has to communicate it to the employee.

PerfECT Understanding of Superiors

The above chart indicates the performance level of the superiors in conducting the Section VII and VIII (Development Plan and Final Closure by the employee). It explains the performance of 30 superiors and how serious they were in conducting the process.

- **LOW** - 35 % of the superiors conducted the process for the sake of formality. They were not sure as to how exactly the process should be carried on and how should the development plan be framed.
- **MEDIUM** - 50 % of the superiors were sure of what to be done but were not very successful in communicating to the employee about the feedback and rating.
- **HIGH** - 15% of the superiors were aware of what has to be done and they were sure about the kind of performance required from their employees. They were successful in communicating to the employees what is required from them. They also took feedback from the employees if any help or improvement is required from them (L+1s).

6. SUMMARY AND CONCLUSION:

The development approach contained all of the traditional overall organizational performance appraisal purposes and the following additional purposes:

1. Provided employees the opportunity to formally indicate the direction and level of the employee's ambition.
2. Show organizational interest in employee development, which was cited to help the enterprise retain ambitious, capable employees instead of losing the employees to competitors.

3. Provided a structure for communications between employees and management to help clarify expectations of the employee by management and the employee.

4. Provide satisfaction and encouragement to the employee who has been trying to perform well.

7. RECOMMENDATIONS/SUGGESTIONS:

Based upon the observations during the study following suggestions are given to make the process more effective:

- The reasons for the ARC ratings must be mentioned in the Perfect form to inform the employee.
- The superiors need to undergo a refresher course about the process (training to conduct the process effectively)
- In case of transfers from one department to another or change in superiors, the previous superior should be a part of the discussion or feedback process
- The superiors (L+1s) should be a part of the ARC meetings and should take the ownership of the ratings finalized in the ARC proceedings.

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