



## Performance Appraisal System at Dabur India Ltd.

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### ABSTRACT

*Performance Appraisals is the systematic appraisal of employee's and is a developmental tool employed for holistic development of the employee and the organization as well. Dabur (Dabur India Ltd.) founded by Dr SK Burman in 1884, is India's largest Ayurvedic FMCG Company, with a portfolio of more than 250 Herbal/Ayurvedic products. Key performance areas (KPA's) form the base for performance appraisal and compensation planning. Dabur follows a Balanced Scorecard based performance management. Employees are evaluated on the basis of how well they achieve a specific set of objectives that have been determined to be significant in the successful completion of their job, a process generally referred to as Management By Objectives. Reports reveal that employees are moderately satisfied with the system followed in the organization. Few recommendations and feedbacks are provided.*

**KEYWORDS :** Human Resource Management, Employee Engagement, Dabur India, Performance Management, Performance Appraisal

### Introduction

An effective and efficient performance appraisal system is the one which provides the individuals and managers, an organized system to attain goals and objectives productively, devoid of the need for close regulation. Performance appraisal (PA) is defined as a structured formal interface between an employee and his/her supervisor, that is conducted generally annually or semi annually, to evaluate the work performance (Grubb 2007). Unlike earlier times, in a dynamic business environment, organizational accomplishment is now more based on the individual employee's performance and managers should be acquainted with how to make the best use of the performance appraisal system (Rao and Rao, 2004, Singh & Finn 2003).

Dabur (Dabur India Ltd.) founded by Dr SK Burman in 1884, is India's largest Ayurvedic FMCG company, with a portfolio of more than 250 Herbal/Ayurvedic products. They have ayurvedic products in categories like Hair Care, Skin Care, Oral Care, Home Care, Health Care and Food. The company has 19 high-tech manufacturing facilities stretched across the globe. Net profit of Dabur India Ltd rose 15.98% , from Rs 157.42 crore( Dec 2012) to Rs 182.57 crore in the quarter ended December 2013 . As of March 31, 2013, Dabur had 6,154 employees on its rolls, all across the globe. (Dabur India Limited n.d). The vision of Dabur is "Dedicated to the health and well being of every household"(Dabur India, 2003)

### The appraisal process

Performance appraisal is about successful employees who meet their individual goals, thus becoming a significant part of HRM(Craig, Beatty, Baird 1986, Miller 2003 ). Performance appraisal is aimed at the following:

- It forms the basis for reward allocations.
- It is used for identifying deficiency areas of employees that need development efforts.
- It is used as a criterion for selection devices and development programs are validated.

The Appraisal PROCESS can be briefly summarized as below (Carlson 2008, Craig, Beatty, Baird 1986):

1. Established Performance Standards.
2. Communicate Performance expectations to employees.
3. Measure actual performance.
4. Compare actual performance with set standards.
5. Discuss the appraisal with the employees
6. If necessary, initiate the corrective action

### Performance appraisal system in Dabur India limited

Dabur's streamlining efforts began in April 1997, when the company hired consultants McKinsey & Co., whose three-fold recommendations

were: to focus on a few business areas; to improve the supply chain and procurement processes and to restructure the appraisal and compensation systems (HR Restructuring n.d ).Dabur made performance appraisals further objective by incorporating many measurable criteria. Concepts such as customer satisfaction, increased sales and reduced costs, cycle-time efficiency, return on investment and shareholder value were all introduced as yardsticks for performance appraisals (Gibson, Harvey & Harris 2007).

To enhance employee satisfaction levels, HR managers identified a few key performance areas (KPA's) for each employee. Now, KRAs became the base for performance appraisal and compensation planning. Dabur follows a Balanced Scorecard based performance management (Dabur India Ltd n.d) , which ensures balanced performance by managers across manifold dimension including financial targets, customer relationship management, internal business processes and research and development. Using the Balanced Scorecard, the company has modified key performance indicators (KPIs) of the variable pay plan. (Kaplan and Norton 2001, Malmi 2001).

Employees are evaluated on the basis of how well they achieve a specific set of objectives that have been determined to be significant in the successful completion of their job. This approach is referred to as Management by objectives (Greenwood 1981, Lepak et. al 2006). Management by objectives consists of setting goals, action planning, self- control, and periodic reviews (Nayab 2009). In goal setting, the organization's overall objectives are used as guidelines from which departmental and individual objectives are set. In action planning, the means are determined for achieving the ends established in goal setting i.e., pragmatic plans are developed to attain the objectives.

### Outcome of Performance Appraisal

As far as Dabur Company is concerned, there are four outcomes possible:

- **Outstanding** -If the employee performs well, as to collect 3 consecutive outstanding performances into his/her credit, he / she gets promoted.
- **Good** - If he/she is graded 'good', they are sent to training programme to improve his/.her skill to perform better.
- **Below average** -If the employee gains three below average to his/her credit, then he/she is terminated from work.

### Recommendations &feedback

Review of performance appraisal system in Dabur reveals that they do have an effective appraisal system. Nevertheless, the following recommendations are made:

1. Based on the performance, the remedial measures taken may include job rotation and training programme (Craig, Beatty, Baird 1986).

2. The frequency of feedback needs to be increased, both from the individual and organizational point of view to keep the employee motivated towards attaining organizational goals.
3. The appraiser may be trained for better comprehending of the system and he/she needs to be counseled to be honest, just and unbiased in appraising the appraise.
4. The employee may be provided with suitable remark or justification for being given a particular grade.
5. Better clarity of job descriptions need to be provided to the employees.
6. Presently, Dabur conducts performance appraisal on an annual basis which may be prepared Quarterly to make it more effective.
7. Performance Appraisal system should be made more apparent and transparent (Carrie, Barton and James 2014).
8. The performance feedback sessions should provide the employee with details such as problem behaviour, consequences of the problem behaviour and proposed changes.
9. Open appraisal system may be implemented, wherein the employees come together to set the targets, recognize the mutual potential and the support to be provided by the appraiser to the employee towards achieving these mutually accepted goals. This will promote outcome oriented performance.

### Conclusion

Performance Appraisals is the systematic appraisal of employee's and is a developmental tool employed for holistic development of the employee and the organization as well. The process of performance appraisal in Dabur India Ltd is done on an annual basis. Reports say that employees are moderately satisfied with the system followed. Though feedback is a critical step in performance appraisal, Dabur focus less on providing feedback to employees as to what are their incompetence's, what are the proposed remedial measures and so on.

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