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INDEX

Sr. No.	Title	Author	Subject	Page No.
1	Cost of capital: an empirical case study of hindustan unilever limited	Dr. Vinod K. Ramani	Accountancy	1-2
2	Self Revolution	Mohanapriya.P	Arts	3-4
3	Wound healing activity of Cestrum elegans	V. Subhaa, Dr. D. Sukumarb, Dr. V. Elangoc	Chemistry	5-6
4	Anti Bacterial Activity of Apigenin 7-0-(6"caffeoyl) neohesperidoside from chrysanthemum indicum	M.Jerome Rozario, Dr.A.John Merina, Dr.V.Srinivasana	Chemistry	7-10
5	Adsorption Studies of Cu (II) and Cr (VI) from metal solution using crosslinked chitosan-g-acrylonitrile copolymer	Shankar.P, Gomathi T., Vijayalakshmi.K, Sudha P.N	Chemistry	11-13
6	An Insight into Derivative Markets: Indian Perspective	Dr. C.Shobha, Dr. T. Hanumantha raya	Commerce	14-16
7	Vision and Planning	Dr. J. K Sehgal	Commerce	17-18
8	An Analytical Study of Employee's Productivity in Some Selected Nationalized Banks of India	Dr. Jyotindra M. Jani, Manish B. Raval	Commerce	19-20
9	New Products of Tourism in India	Dr. M. K. Maru	Commerce	21-22
10	Inventory Management in Sugar Mills - A Comparative Study	Promila	Commerce	23-25
11	Price -Mix Straregy of Jammu and Kashmir Co-Operatives Supply and Marketing Federation Limited in Jammu District of J&K State	Tarsem Lal	Commerce	26-28
12	Warehouse Management Information System: A New Perspective in Supply Chain Management	Dr. Vipul Chalotra	Commerce	29-30
13	A Study on Consumer Satisfaction of Aavin Milk in Salem City	Dr.A.Vinayagamoorthy, Mrs. M.Sangeetha, C.Sankar	Commerce	31-33
14	Hybrid Attribute Selection Process for Decision Tree Based Classification Algorithms	Mr. A. Jebamalai Robinson, Mrs. S. C. Punitha, Dr. P. Ranjit Jeba Thangaiah	Computer Science	34-36
15	Visualizing the validation of UML diagrams	Lavleen Kambow	Computer Science	37-38
16	Effectiveness of coconut palm insurance scheme in the coastal belts of India-A SWOT analysis	Prof. (Dr.) D. Rajasenan, Bijith George Abraham	Economics	39-41
17	An Analysis of the Efficiency of Selected Public and Private Banks in India during 2005-2011	Dr.Dinesh Kumar, Sanjeev	Economics	42-44
18	Measurement of Emotional Development of the Students	Dr. Nivedita K. Deshmukh	Education	45-46
19	A comparative study of effect of method of lecture and dramatization of Marathi teaching	Dr. Nivedita K. Deshmukh	Education	47-48
20	Peer pressure-problems and solutions	V.Vaithyanathan, Dr.P.Sivakumar	Education	49-50
21	Language Anxiety In Indian L2 Learners: Male or Female Learners - Who Scores High?	S. Gandhimathi, Dr.R.Ganesan	Education	51-52

22	Topological Characteristics of ECG Signal using Lyapunov Exponent and RBF Network	Abinash Dahal, Deepashree Devaraj, Dr. N. Pradhan	Engineering	53-55
23	Development of slicing package of solid model for cone and sphere in rapid prototyping	Dineshkumar M. Patel, Prof. P.D.Solanki	Engineering	56-58
24	Hardware modeling Simulation with COSSAP	Krunali Amrutlal Ratanpara, Devendra Soni, Shrenik Rajesh Golwelkar	Engineering	59-61
25	Coordination Of Pss And Statcom To Enhance The Power System Transient Stability	Lalit K. Patel, Kaushik M. Sangada, Sunil S. Changlani , Ankit M. Patel	Engineering	62-64
26	Cooling Performance Analysis of Heat Sink	Mr. Pritesh S. Patel, Prof. Dattatraya G. Subhedar, Prof. Kamlesh V. Chauhan	Engineering	65-67
27	Thermal Modeling and Analysis of Friction Stir Welding	Rankit Patel, Prof. Bindu Pillai	Engineering	68-70
28	Review on shrinkage defect – A case study	Mr. Ravi N. Kalotra, Mr. Gajanan Patange, Mr. J.K. Gohil	Engineering	71-75
29	Stream Function Formulation of Lid Driven Cavity	Mr. Zankhan C. Sonara, Prof. Dattatraya G. Subhedar, Mr. Kartik Patel	Engineering	76-78
30	Implementation of ABT (Availability Based Tariff) - its Treatment & Proceedings	Dilip m.Bhankhodiya, Dipak t. Vaghela	Engineering	79-82
31	Active Filters for Power Quality Improvement	Dipak t. Vaghela, Dilip m. Bhankhodiya	Engineering	83-87
32	Design and Analysis of Air Bearing using Orifice and Feed Hole Pocket	Nileshkumar T. Raval, Prof. M.Y.Patil	Engineering	88-90
33	Drip irrigation technique enhancing water and fertiliser use efficiency in cauliflower	Dr. S.S. Yadav, Dr. R.S. Meena	Engineering	91-92
34	Experimental and FEA Evaluation of Hybrid Joint Strength of Single Lap joint.	S. S. Kadam, P. A. Dixit	Engineering	93-96
35	CFD Analysis of Mixed Flow Submersible pump Impeller	Mitul G Patel, Subhedar Dattatraya, Bharat J Patel	Engineering	97-100
36	EVA: An Innovative Parameter for Shareholders' Wealth Measurement	Shri. Arvind A. Dhond	Finance	101-103
37	Profitability and consistency analysis of Textile Sector in India	Dr. K. S. Vataliya, Rajesh Jadav	Finance	104-107
38	Harmonious Relationship between Art and Music Critical vision (comparison)	Dr. Marwan Imran	Fine Arts	108-109
39	Land Use Pattern and Crop Combination Region in Satara District : A Geographical Study	Dr. Rathod S. B., Mane-Deshmukh R. S.	Geography	110-111
40	Garlic---Benefits and Uses	Dr. Sneh Harshinder Sharma	Geography	112-114
41	An Assessment of Thermal Comfort Zones in Terms of Tourists: A case study of Karveer Tehsil	Mr. Prashant Tanaji Patil, Miss. Mane madhuri maruti, Miss. Mugade Nisha Ramchandra	Geography	115-117

42	Hematological changes due to the impact of Lead nitrate on economically important estuarine fish Mystus gulio	Dr.S.Palani Kumar	Horticulture	118-119
43	Stress Management level in the employees of Manufacture Industries By considering key parameters with reference to Bhavnagar city	Dr. K. S. Vataliya, Adv. Ajay H. Thakkar	Human Resource	120-122
44	The Case of ABC Group-A Case on Performance Appraisal System	Shivani Sah	Human Resource Management	123-124
45	A Study On Performance Appraisal of Employees in Health Care Industry in a Private Multi-Speciality Organization	Dr. C. Swarnalatha, T.S. Prasanna	Human Resource Management	125-126
46	(Upanyas - Jansi ki Rani Laxmibai (vrundavanlal varma)	Dr. Sneh Harshinder Sharma	Literature	127-128
47	“Educational Technology for Professional Development of English Teachers: A Case Study of the College Teachers of English in Jammu Province”	Dr. Wajahat Hussain	Literature	129-130
48	The Reality of Sultana’s Dream: A step towards success Rokeya Sakhawat Hossein	Riju Sharma, Ruchee Aggarwal	Literature	131-132
49	Road blocks of Match Industry in Andhra Pradesh: Certain Issues and Concerns	Anuradha Averineni	Management	133-134
50	Government’s Assistance Towards the Development of Small Scale Industries in India with Special Reference to Krishnagiri District	B. Mohandhas, Dr. G. Prabakaran	Management	135-140
51	Effects of Role Stress on Employee Job Satisfaction and Turnover	Dr. T.G.Vijaya, R.Hemamalini	Management	141-144
52	“MNP – A major concern of Telecom Operators in Gujarat”	Mohsinali Momin, Dr. Deepak H. Tekwani	Management	145-147
53	A Study on Fiscal Support Provided by Vijaya Bank to Msme in Coimbatore City	Mrs. G. Murali Manokari, Mr. G. Lenin Kumar, Mrs. G. Sathiya	Management	148-150
54	Competencies for HR Professionals	GAYATHRI. M	Management	151-153
55	Cost and Strategic Management - Application, Framework and Strategies for the Growth of Sme Sector	Manisha gaur	Management	154-156
56	Development of Management Education System in India	Mr. Goudappa Malipatil	Management	157-158
57	Study on Volatility and Return of Major Indices of Indian Stock Market with Reference to Sensex And Nifty	Mr. Mukesh C .Ajmera	Management	159-160
58	A Need for an Epitome Shift in Management Education A study on Conceptual Teaching practices	Mrs. Vanishree K. Jamashetti, Mr. Sanjeev Rathod	Management	161-162
59	Personal Social Responsibility – A novel thought	Parul Jain, Dr. N.C Pahariya	Management	163-164
60	Green Marketing – A Consumer’s Perspective in the Indian Scenario	Nidhi Srivastava, Preeti Pillai	Management	165-166
61	Challenges and Opportunities of Mobile Banking - An Indian Scenario	Sandhya.Ch.V.L	Management	167-169
62	A pragmatic study of civilizing amortment among The diverse countries	Mr. Vimal P. Jagad, Mr Mukesh .C Ajmera	Management	170-171
63	Celebrity Endorsement in India An Effective Tool of Sales Promotion	Piyush Shah, Dr. N C Pahariya	Management	172-176

64	A Study of Prominent Character Strengths and Their Relationship with Well Being Among Business Management Students	GarimaKamboj, DikshaKakkar	Management	177-180
65	Coffee Consumption in India: An Exploratory Study	Shri. Arvind A. Dhond	Marketing	181-183
66	Applicability of Retail Service Quality Scale (RSQS) in India	M. Ramakrishnan, Dr. Sudharani Ravindran	Marketing	184-186
67	Account Holders perceptions towards Self Service Technologies: a study of selected Private Sector Banks	Dr A Kumar, Prof Ankur Gangal	Marketing	187-189
68	Impact of Sales Promotion on Sales figures of Select International FMCG Brands	Dr.Sharif Memon	Marketing	190-193
69	Factors Affecting Green Product Design: Marketing Professional's Perspective	D. S. Rohini Samarasinghe	Marketing	194-196
70	The Impact of 'Ambience' and Variety on Consumer Delight: A Study on Consumer Behaviour in Ahmedabad	Dr A Kumar, Prof Vineeta Gangal	Marketing	197-200
71	Co-Relation of Social Justice with Human Rights: A Review	Dr. Monica Narang	Marketing	201-202
72	Study of Iron Status and Free Radical Activity in Plasmodium Falciparum and Plasmodium Vivax Malaria Infection	Sangita M. Patil, Ramchandra K. Padalkar	Medical Sciences	203-205
73	GOAL SETTING TENDENCIES, COMMUNICATION SKILLS AND WORK MOTIVATION VIS-À-VIS AGE DIFFERENCE – A STUDY ON PUBLIC SECTOR ORGANIZATION	Dr. Swaha Bhattacharya, Dr. Monimala Mukherjee	Psychology	206-208
74	Role of NGOs in Social Mobilization in the context of SGSY	Dr.Veershetty C. Tadalapur	Sociology	209-211
75	Age at menarche and its secular trend in rural and urban girls of bathinda district	Jyoti Sharma, Dr. Ajita	Sports Science	212-213
76	Effect Of Resin Finishing On Stiffness And Drape Of Khadi Fabric	Dr. Suman pant, Ms. Noopur Sonee	Textiles	214-216

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Research Paper Human Resource Management

The Case of ABC Group-A Case on Performance Appraisal System

* Shivani Sah

* Assistant Professor, AMC Engineering College, Bangalore

ABSTRACT

The case study highlights the importance of planning and implementation of performance appraisal system in organization especially in light of Adams equity theory. It studies the situation in a fictitious educational institute where wrong implementation of incentive system back fires on the institute's strategy for brand building.

Keywords : Performance Appraisal system

THE CASE OF ABC GROUP-A CASE ON PERFORMANCE APPRAISAL SYSTEM

The ABC group of institution had recently made foray into the field of management education. The institute was trying to establish its brand image but in the last few years it was facing problems in retaining and motivating its faculty. In order to establish its brand name and reposition itself among the famous management institutes the college administration headed by Mr Bhalla, the chairman of the group and first generation entrepreneur obtained the services of a consulting firm.

The consultant identified human resource as one of the most important asset in building an institution. To gauge the value of human resources, he recommended among other things, a performance based incentive system for the faculty. It was decided that a panel of experts would be constituted to evaluate the performance of the candidates. The panel would have representation not only from the institute but also experts from the field of academia and industry .In house parameters from the institute like recommendation from superiors, feedback from customer(in this case students) and results(pass percentages)will be taken into account to measure a balanced picture of an individuals performance. The objective of the exercise was to identify motivate and retain high performers as well as at the same time identify the human resources which could be an impediment for the institute to reach par with the quality standards of industry. The strategy was to identify such resources and try improving their quality by giving them exposure to faculty development programs and in some cases even asking the incompetent people to leave the organization.

ABC Institute

The institute was a young institute having been founded only five years back. It had slowly established a name for itself in the educational field and there was brand awareness regarding the same. Now it wanted to move up in the hierarchy of management institutes and catapult itself among the best names in the sector

In keeping with the trend in education sector the attrition rates were high especially among entry level- lecturers and assistant professors.

The pay scales were comparable with in the education sector and the strength of the college was a good congenial working relation between the management and the employees

Context

2010 had been a tough year for the world economy and the institute was also forced to tighten its purse strings by withholding increments . For 2010 no increments had been given to the employees across the board.

In July 2011 Mr Raghav joined the institute. it was recession time and supply was far exceeding the demand , in addition there was recession in the industry which led to an inflow of fresh management graduates to the teaching profession. In such a scenario he was offered a salary which although was competitive keeping in mind his qualification and experience , was a little less than the starting salary offered to his colleagues. Mr. Raghav had joined teaching profession after working for a year in the industry. He was still trying to come to terms with the demands of teaching profession. His feedback was quiet poor and he had also not performed well in the appraisal interview as a result he was a worried man as the day for announcing the result of the new incentive system approached.

Mr. Ahmad had joined the college in january2011 and had been with the college for only5 months when the management decided to implement the new incentive system. He had not yet had the time to prove his credentials in terms of results as his students were yet to sit for the semester examinations conducted by the university.

When Mr. Gambhir heard the news about the new incentive system he started looking forward to a good increment as he had been with the college since 1998 and had been with his department through the tough times , even when no increments were given for a year and many of his colleagues had resigned. At such a time he had struggled to manage the department and had extended his full cooperation to the head of the department so that the classes and administrative work did not suffer. He had been constantly getting good feedback from his students. His pass percentage was more than 90% for the last two years His appraisal interview with the expert panel had gone well and he was looking forward to announcement of increment as he felt now was the time when his hard work will bear fruit.

Ms Vilasini had been with the college for over a year and had been diligently working for the department .Although she was a fresher with no exposure to teaching or industry she made up for it with her energy, curiosity and enthusiasm Her feed back ,results were above than average. She went out of her way to facilitate the administrative functions of the department. Although her performance in the appraisal interview had been average she was expectant as she hoped management will recognize her overall efforts.

The mood was buoyant and expectation was high.

The Problem
The increment day came and increments were announced. Mr Raghav to his and others surprise, had received the highest increment of rupees five thousand in the department. Mr. Ahmad had got an increment of rupees two thousand and Ms Vilasini had received an increment of Rupees thousand only.

Mr. Gambhir had got an increment of Rupees two thousand two hundred forty eight only Within one week of the announcement of incentives Mr. Gambhir had put in his papers. Ms Vilasini although hadn't put her papers she was demotivated and had reduced her effort for participation in departmental activities.

There was a general environment of dissatisfaction In the organization and employee morale had come down and there was lower organization commitment.

Management was flooded with resignations. To its utter surprise it found that the attrition rate had risen and good faculty was leaving the college.

What happened? Where did the management go wrong???

ANALYSIS
The institute is facing the consequence of ineffective implementation of the performance reward system.

Economic rewards are important to employees and pay relationships carry not only immense economic value but also great social value . In the present case the management failed to recognize the social importance of pay to employees.

Performance appraisal and incentives are meant for rating the employees and rewarding their contribution but the situation at ABC , the announced incentives violated this principle .

Equity theory by J Stacy Adam can further help the management to understand what had happened .The equity theory states that employees tend to judge fairness by comparing the outcomes they receive with their relevant inputs and also by comparing this ratio with ratios of other people

One's own Outcomes ? Others Outcomes
One's own inputs = Other's inputs

Inputs are all the elements that employee believe they contribute to the job including their education ,seniority, prior work experience loyalty, commitment, time and effort ,creativity and job performance ,heart and soul, enthusiasm, trust in boss and superiors ,support of colleagues and subordinates ,personal sacrifice etc

Out comes are the rewards they perceive they get from their jobs and employers which include all financial rewards - pay, salary, expenses, perks, benefits, pension arrangements, bonus and commission - plus intangibles - recognition, reputation, praise and thanks, interest, responsibility, stimulus, travel, training, development, sense of achievement and advancement, promotion, etc.

Employees analyze the fairness of their outcome/input contract and then compare their contract with contracts of other workers in similar job.

The Adams' Equity Theory model extends beyond the individual self, and incorporates influence and comparison of other people's situations in forming a comparative view and awareness of Equity.

When people feel fairly or advantageously treated they are more likely to be motivated; when they feel unfairly treated they feel dissatisfied and demotivated

In the present situation Mr. Gambhir experiences inequity. He arrives at his measure of unfairness - Inequity - by comparing his balance of effort and reward, and other factors of give and take - the ratio of input and output - with the balance or ratio enjoyed by the referent others- people with whom he compares his own situation. The actual sense of inequity or unfairness is arrived at after incorporating a comparison between his input and output ratio with the input and output ratios that he sees or believes to be experienced or enjoyed by others in similar situations.

Mr Gambhir compares his increment with that of Mr. Raghav and forms a comparative view (His increment is far less than that of Mr. Ragav-the non performer) and feels he has been unfairly treated. This leads to dissatisfaction. His inputs of good performance ,feedback and loyalty a re not recognized by the management He also compares his increment with Mr. Ahmad .Although his increment is marginally more than Mr. Ahamd (only two hundred forty eight only)he is unsatisfied as he feels that his input of loyalty ,his presence and efforts a t the time when the department was undergoing a lot of changes a re not recognized. The management failed to appreciate his many inputs besides working hours. People respond to a feeling of inequity in different ways .In this case Mr. Gambhir tries to improve the output by seeking an alternative job.

He resigns from his job and the management is unable to retain a dedicated employee in spite of giving a good incentive.

According to equity theory the extent of demotivation is proportional to the perceived disparity with other people or inequity. Ms Vilasini feels she has been under rewarded. Although Mr. Ahmad had joined the department after her and was yet to prove his credentials in terms of result, he had been given a higher increment. Since pay relationships carry great social value Ms.Vilasni feels inferior in front of her colleagues as she feels other might interpret her getting lesser increment than Mr. Ahmad as a sign of her incompetence. She copes with this inequity by reducing effort and application. This results in her stopping to take initiative and by lowering the quantity or quality of her productivity

In the case of ABC institutions an understanding of equity theory would have helped mangers and policy makers to appreciate that while improving one person's terms and conditions can resolve that individual's demands (for a while), if the change is perceived by other people to upset the Equity of their own situations then the solution can easily generate far more problems than it attempted to fix.

People see themselves and the way they are treated in terms of their surrounding in this case treatment of their colleagues and hence they should be managed and treated accordingly This understanding would help the management to understand the undercurrents of dissatisfaction with in the organization and help address the climate of mistrust by taking appropriate steps.

Conclusion
The management in spite of its best intentions was unable to retain the faculty due to ineffective implementation of its performance appraisal and reward system On the contrary it succeeded in disturbing the congenial balance between the faculty and the management which resulted in disturbing the organizational climate.

This case effectively demonstrates the importance of effective Human resource policies and practices both at the planning as well as implementation level for the success of any organization.

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