**Performance Management System at Titan Industries Ltd.**

**About the organization**

Titan Industries Ltd. was incorporated in 1984 as a joint venture between Tata Group and TIDCO Ltd, a government of Tamil Nadu undertaking. The company is into manufacturing and marketing quartz watches since 1987. In 1995, the company diversified into manufacturing and marketing 18-carat studded jewellery. It expanded its business sphere entering into two more businesses that include (a) license brands and accessories to leverage the marketing and retailing skills by launching Fastrack Eye Gear and entering into an agreement for marketing Topmmy Hilfinger watches; and (b) precision engineering division to leverage the precision engineering capabilities in Titan.

These business units attract customers in multiple areas such as automobile, clock and plastic components, precision engineered components, automobiles and aerospace solution. The company has its outlets for watches throughout the country. The divisions for watches and jewellery are the two main strategic business units.

**Human resources**

Titan Industries has a total strength of about 3,000 employees in its factories, regional offices, and corporate office. The members of the factory workforce are technocrats with a high level of technical skills, whereas the personnel of corporate and regional offices are from sales and marketing, retailing, finance, and administration background. The HR personnel perform support functions.

**The tools**

In order to make performance management system effective, the organization is mainly embarking on:

**Management by objective (MBO)** MBO is done on a half-yearly basis. The organization decides on the recognition and rewards as the central motivational tools.

**Multi-source assessment and feedback system (MAFS)** Titan Industry implemented a 360-degree feedback, way back 2001 for senior management as a development-focussed tool; for leadership development, team building, potential development, in addition to training needs identification and building relations with internal customers. The company implemented 360-degree feedback in 2001 for senior management as a development-focussed tools; for leadership development, team building, potential development, in addition to training needs identification, and internal customer relations building.

**Business scorecard (BSC)** Throught the scorecard, Titan tracks the commitment of the senior management team (SMT) which is critical to successful implementation of a balance scorecard. The BSC has created a dynamic environment in the organization. TITAN follows the 10, 80, 10 rule in this regard, which means 10 key result indicators (KRIs), up to 80 performance indicators (PIs0, and 10 key performance indicators (KPIs).

The KPI team focuses sharper attention on the end product; do not try to identify 80 key performance indicators. But, it searches for the characteristics of a good KPI. The organization traps all performance measures in a data base, make them available to all, and to make the system transparent.

**Objectives of a performance management system**

1) To create role clarity and clarify performance expectations, and measure at individual, group, and organizational levels.

2) To provide job guidance, feedback, and counseling to build upon strengths and areas of improvements so as to bridge the gap between performance and expectations.

3) To build up a positive work relationship between the appraiser and appraisee through a two way dialoguing communication process.

4) To identify the training and development needs of employees.

5) To unleash the creative capabilities of employees.

**Key result areas**

The key result areas include

1) Areas of responsibilities in which an employee is expected to produce results.

2) Give directions to a person’s job and help to focus on important job areas.

3) Provide a basis for appraisal, counseling, and feedback.

4) Increasing mutual job understanding with superiors.

5) These KRAs may change as priorities and responsibilities change. They are dynamic in nature.

6) Focus on new initiatives.

7) Implementing various organizational objectives.

**Critical success factors**

These are measures that focus on how the job is to be accomplished, and include skills, knowledge, and/or behaviour that improve job effectiveness or performance. Titan has currently identified 12 critical success factors based on required competencies. The critical success factors are attendance, quality of work, quantity of work, customer satisfaction, team work, time management, learning ability, communication, and ability to withstand pressure.

1) Attendance includes reaching that office in time, being comfortable with long working hours, and willingness to stay in office beyond normal duty hours for completion of daily assignments.

2) Quality of work comprises delivering high quality service and continuously striving for improvement of quality.

3) Quantity of work consists of handling large volume of activity and ability to go beyond normal activity as and when required.

4) Customer satisfaction embraces the parameters satisfying internal customer, satisfying external customer, and relationship with people.

5) Teamwork is perceived as the ability to work effectively in a team, cooperating with team members, and respecting suggestion of others in the team.

6) Time management refers to arranging various jobs to be done, according to priority and completion of work in time.

7) Learning ability takes in learning quickly and applying the gathered knowledge on the job.

8) Communication takes account of clarity in communication, sharing information with others, and listening to others’ viewpoints.

9) Ability to withstand pressure signifies withstanding pressure situations, handling emergency situations effectively, and seeking new challenging assignments.

**Rating by the appraisee**

Against each of the nine items, the appraiser has to rate the appraisee as one of the following. The rating scale is as follows:

● Excellent = 5 points

● Very good = 4 points

● Good = 3 points

● Satisfactory = 2 points

● Below satisfactory = 1 point

**KRA & CSF weightages**

Up to the middle level executives, the points in key result areas carry 75 per cent weight and critical success factors carry 25 per cent weight. The critical success factors bring out the behavioural parts of an employee. For senior executives, area managers, and above, key result areas carry 50 per cent weights and critical success factors carry 50 per cent weights. However, for these levels, Tata Enterprises call the CSF as Tata leadership practices (TLP).

|  |  |  |
| --- | --- | --- |
| **Level** | **KRA** | **CSF/TLP** |
| Up to middle level | 75 per cent | CSF – 25 per cent |
| Area manager and above | 50 per cent | TLP – 50 per cent |

**Example of KRA**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Job** | **Objective** | **Time line** | **Measure of achievement** | **Weightage** |
| Recruitment | 1. Meeting business needs of  resource | 30 days | Employer branding | W1 per cent |
|  | 2. Right purpose for right  position | --- | Job description/job satisfaction floated within due time | W2 per cent |
|  | Using recruitment tools effectively | --- | Database usage for reducing recruitment cost | W3 per cent |
|  | Meeting the recruitment time line | --- |  | W4 per cent |

Note: The total of all the weightages = 100

**Development Plan**

Titan is keen to equip its employees with the skill sets to perform and achieve in the respective key result areas, aims to fill the gap if any, and enables the development of employees. The organization draws development plan based on certain factors such as

1) The KRAs for the employees for the year under review.

2) The planned KRAs for the year to come.

3) Barriers to successful performance that have been identified.

4) Gaps identified in the critical success factors.

5) Any developmental need expressed by the employee during the performance review discussions.

The two-phase development plan includes (a) identifying training needs, and (b) and preparing a personal action plan (PAP). Training is offered in-house or from external sources. The appraiser does not choose the training course; rather, encourages and supports the employee to understand the skills, competencies, and experiences one may need for superior performance. In the PAP, the employee chalks out the list of actions he/she should undertake for performance enhancement and self-improvement.

**Performance review**

Titan lays a lot of emphasis on performance reviews. One HR representative is present at all appraisal meetings. While reviewing the key result areas and key success factors, the role of HR is to ensure consistency in the approach in the entire organization, and to constantly remind the a appraisers about the rating errors such as (a) halo effect and (b) leniency error of harshness errors, (c) central tendency, and (d) personal biases.

In the performance appraisal process, the appraisee presents his/her contributions as against the agreed targets and the outcome of the process is evaluated. Both the appraiser and the appraisee reach a detailed agreement on the critical success factors. A five-point rating scale is used.

**Categorization of employees**

The organization divides employees into four categories based on their appraisal. The main purpose of dividing them is to initiate specific developmental measures and not disciplinary actions. In the appraisal process, it comes to the limelight as to who could meet the expectations, already communicated earlier, to what extent in regards to quantitative achievement, and conforming to qualitative requirements.

Category A: Exceeded expectations (EHP)

Category B: Met expectations (GP)

Category C: Somewhat met expectations (P)

Category D: Did not meet expectations (Poor)

The organization normalizes the categorized employees for each department. A maximum of 15 per cent employees might be considered in category A, and 40 per cent in category B, who are not very sacrosanct. The rest 45 per cent fall in category C. The organization helps the low performers (category D) to come out with personal improvement plans (PIP).

**Use of the outcome**

Titan collects all the feedback across the organizations, and each person’s item-wise report is compared with the company’s average for decision-making. The final ranking is used to determine the performance linked to pay, development opportunities, challenging assignments in various task forces, and promotions. During the process of reviewing, the appraiser is taken into confidence.

**Building coaching and mentoring culture**

The company believes that coaching strongly restores capacity to perform the tasks assigned. It also mentions some shortcomings of the appraisal. As such, coaching is often the by-product of performance appraisal. In an organization, coaching is an activity through which managers work with subordinates to foster skill development, impart knowledge, and inculcate values and behaviour, that will help them for more challenging assignments.

In Titan, mentoring, like coaching, is a means of developing human resources. Mentoring is about guiding others in their personal quest for growth through learning. A mentor acts as a trusted guide, offering advice when asked, and opening the doors to learning opportunities when possible and appropriate. Titan practices the principle of natural of informal mentoring; and on observing the relationship, the company formalizes the mentor-mentee relationship. The benefits of mentoring to the organization are four-fold:

1) It develops the human assets of the organization.

2) It helps to transfer important tacit knowledge from one set employees to another.

3) It aids in the retention of valued employees.

4) A web-based low-cost mentoring system is helpful to the organizations.

**Discussion Questions**

Q1. Titan uses some performance management tools. Do you think the company can achieve the objectives stated above using the PMS tools mentioned?

Q2. Titan has specified some critical success factors. By appraising employee performances once or twice in a year, can the employees be evaluated with regard to the CSF? What should the organization do?

Q3. On the basis of this case, please devise a performance measurement system for the students of your institute.