

THE LAUNCHING OF THE NEW PERFORMANCE APPRAISAL SYSTEM

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The first sign of disquiet was the slowly increasing volume of murmurs among the audience. It sounded like a swarm of bees coming from a distance. John Humphreys looked over at Mike Mathias and noticed that his right eye was twitching and his head was resting in his left hand. Humphreys decided not to stop and to continue with his presentation on the new Performance Appraisal system. But Humphreys could not dispel the thought that things were not turning out the way he would have liked.

The day started out well enough. Humphreys had arrived in time to take a final look at all the arrangements in the conference room that was arranged at the Park Hotel. He had chosen to be at the hotel instead of dropping in to see Mathias, the Branch Manager in Calcutta earlier in the day. He was happy with the set up and the hotel staff could not have been more helpful in ensuring that everything was in order. The Staff Officers would be coming in at the end of the work week and Humphreys had got special approval to have a cocktail reception at the end of the meeting. It was 2:45pm and Humphreys was going over his last PowerPoint slide as the first of the Staff Officers came into the conference room.

Humphreys quickly reset his slides to the title and went over to introduce himself. Ragubhir Dutta introduced himself as a 10-year veteran of Taiwan International Bank (TIB) but was not more forthcoming. Humphreys thought he seemed reserved in his manner. The next Officer to come in was Nilay Mitash and he seemed to be very quiet as well. After about 10 Officers had come in, Mathias, the Regional Manager, walked in. Immediately, the Officers moved away and started to take their seats. More of the Staff Officers started entering as Mathias made his way over to Humphreys.

“I hope you paid attention to what I said earlier,” Mathias said, without exchanging any pleasantries. “I was expecting to see a draft of the Appraisal Form. I thought you would be coming by the Office earlier today.”

“I thought it best to take care of things here, you never know when the hotel misunderstands your requests,” responded Humphreys.

As the last of the Officers came into the room, Mathias looked at his watch and said, 'It is almost 3:00, why don't we get started. I hope things turn out well.'

That seemed to be an odd comment, thought Humphreys as he took a seat. Mathias went to the podium and started his introduction.

The Bank

At the time of the events narrated in this case, Taiwan International Bank (TIB) was one of the biggest international banks in existence with a presence in over 70 countries. It had over 300,000 employees globally on its payroll. (See Appendix 1 for an overview of the cultural context of banking in India).

TIB was now moving from its traditional core banking areas into insurance, stock broking factoring, private banking, etc. through separate subsidiary companies. The bank was headquartered in Taiwan. Internationally, it had a very strong presence in South Asia, Europe and the United States.

TIB's executives fell into two cadres – International Managers and Resident Managers. The International Managers were recruited after graduation from reputed universities globally and then put through an intensive training program at the Head Office. They could be placed in any country. All senior positions depicted in Figure 1, including that of the All India Manager – Human Resources (HR) were held by International Managers. The All India Manager - HR acted as the eyes and ears of the CEO. This person was supported by an Indian officer who knew all the local labor laws relating to the bank's Indian operations and also gave advice on all union related matters. All branches had their own HR set up to handle operational matters. The Resident Managers were mainly recruited to serve only in one country and were usually graduates of well-known universities of that country.

Unlike in many western countries, bank employees in India were highly unionized and were affiliated with one of two All India Trade Unions. There were two unions at TIB-India, one constituted by the clerical staff and the other by Staff Officers. The Staff Officer cadre fell between clerical staff and managers. Staff officers started as clerical staff and were promoted on merit.

The arrangement in the All India Management Office worked well but it relied on the personal qualities of the All India Manager – HR who could influence critical employee related decisions having All India repercussions for the bank. However, most of the incumbents were content to let matters alone and mark their time until they were posted out of India. They were by and large wary of the unions and did not want anything untoward to happen during their watch.

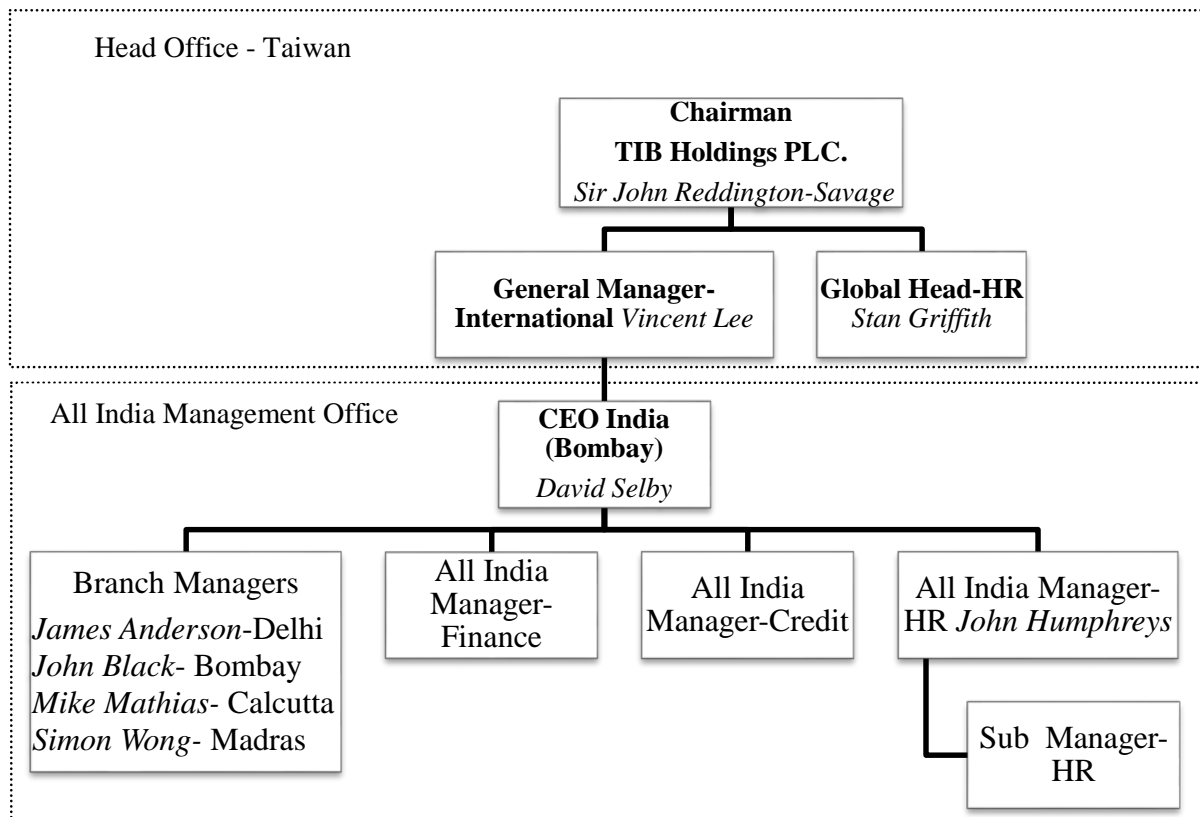


Figure 1: Organization Chart (Partial) of Taiwan International Bank

John Humphreys was an International Manager who had been posted as the All India Manager – HR only three months prior to his presentation on the new performance appraisal system. He was a career banker and not an HR professional. By nature he was ambitious and had decided to make whatever impact he could on the job so that his career progressed. He also knew that he may well have to hand over his job to a professional HR person in future. This was due to a growing perception which flowed from the bank’s Head Office in Taiwan that it was necessary to ‘professionalize the HR function.’

The decision to appoint HR professionals meant that the days of a career banker heading the function would end in all branches and in all the countries where the bank was established. However, a firm decision was awaited with regard to this because of two reasons: first, there were many in the bank who felt that the current system worked well and there was no need to tamper with it; and, second, many senior bankers believed that having bankers in the HR function was an advantage as they knew the ins and outs of the bank and its employees better than a non-banker.

The Briefing

Stan Griffith, the Global Head of HR based in Taiwan had spoken to Humphreys in order to tell the latter about his new assignment in India. “Your job, which I want you to start working on as soon as you settle down, is to ensure that a performance appraisal system is put in place for all Staff Officers in India. I am concerned that quite a few promotions from the Staff Officer to the Executive cadre have been made subjectively. I don’t want to say anything more at this moment in time. I heard this from the India CEO and I have told him that you will be putting the new system in place which should remove the element of subjectivity. Selby has been the India CEO for only six months and may not be able to give you a full picture right away.”

“Look here, John,” Griffith had told him. “You are going to a new place which is one of the most incredibly hard places to work in. I have seen careers marred forever by some of these Indian postings, including the job you are about to take over. The whole place is crawling with unions and they have a big clout as they are also linked to political parties.”

“That’s fine, I am not particularly worried about the unions,” said John.

“I don’t care a damn if you are worried about them or not,” responded Griffith, a blunt spoken but much loved Scot who had been with the bank for over 30 years.

“But Selby is comparatively new in India,” said John. “How could he have found out so fast about the problem with the promotions?”

“I don’t know and don’t give a hoot. I don’t poke my nose into individual promotion decisions; I prefer to rely on the country CEO’s. But if it is true, then we had better act fast. Selby is not the type of person who will say something like this without good reason, and I am sure he has a good network in place to tell him such things.”

“Don’t worry Stan. I’ve worked with Selby in Malaysia for about three years and know him quite well. And I have also put in place a performance appraisal system for Staff Officers in Singapore.”

“I am fully aware of that,” said Griffith, “but there is a world of difference between working in India and Singapore. And don’t forget the Staff Officers in India have a union which they did not have in Singapore. And you have a habit of doing things on your own even when support is available, which won’t help you. Neither do you have any experience of handling unions. They need special care in India and I don’t want to see you get hurt. Also, remember that India is going to be our emerging market in the years to come.”

“No Stan, I will be sure to ask for help.”

“Be very careful of dealing with the Staff Officer unions. They are averse to anything new and will resist any changes you wish to bring about, especially in Calcutta. They are essentially extremely good people there, but they have a tendency to over dramatize certain issues. Trust me on this. Now my problem is that you are both going to be comparatively new in India and may misjudge the unions. I don’t want a problem with the unions.”

“Right,” said Humphreys.

“Let me tell you what I have learned about the unions in India. And always remember that India is not Singapore. In India, the trade union movement is generally divided on political lines. Write down these jaw breaking names, John. They are the Indian National Trade Union Congress (INTUC), All India Trade Union Congress (AITUC) and the Bharatiya Mazdoor Sangh (BMS). Now remember that these are affiliated to the Indian National Congress, Communist Party of India and the Bharathiya Janata Party respectively. In fact the top bosses of some of the central trade unions happen to be Members of Parliament and even cabinet ministers.”

John looked skeptically at Griffith.

“Don’t look at me like that,” said Griffith. “To give you an example, the former Defense Minister George Fernandes was the President of the All India Railwaymen’s Federation, a powerful trade union organization during the 1970s. He organized the railway strike of 1974, where the entire nation was brought to a halt. His union was more like an army with over a million railway men as its members. The strike lasted 19 days.”

“I would also like you to remember this. The unions at the company level get themselves affiliated to one of the central trade union organizations and they draw their clout from the political patronage they enjoy. The day to day running of the union affairs is handled by the union office holders, but political masters do get involved whenever important issues are concerned and that makes the running of the business really a challenge.”

By this time, John was beginning to look a little worried. Griffith noticed this but decided to continue.

“John, in the banking industry in India all clerical staff belong to a very powerful union. In Calcutta, which has a strong left wing government voted in by the people, many bank unions are associated with the Communist Party of India (Marxist). Did you hear of the trouble we had when we computerized the Calcutta branch?”

“Yes,” said John. “My friend who was posted there at that time gave me all the details in their vivid colors. Much of it sounded pretty grim. Glad I wasn’t there.”

“Well,” continued Griffith, “that was because in line with the stand taken by the Communist Party of India (Marxist), unions affiliated to it would automatically oppose any form of computerization, since they claimed it would result in layoffs. While the unions are on the whole reasonable in their demands, sometimes they resort to strong arm tactics. This happens sometimes when the agreement signed between the management and the union - called a Bipartite Settlement - comes up for review, usually after a two or three year period.”

“What about the laws under which these unions operate?” asked John, “Aren’t these laid down?”

“Yes, they are. The main laws under which the unions function in India are The Industrial Disputes Act and The Trade Unions Act. The Bipartite Settlements keep these acts as a

framework. Sometimes bank unions do go on illegal strikes, mainly to oppose what they felt was a departure by the management from any agreement signed with the union.”

“What about the Staff Officer union – how should I deal with them?” asked John. “Are they a hostile lot?”

“Not so much as the clerical unions, laddie. The Staff Officer union at TIB is a recognized union, but unlike the clerical staff union, any agreement they sign with the management is applicable only to this bank. Their union has no political affiliations. But remember that all Staff Officers are members of this registered trade union which was recognized by the management of the bank. While this is not as aggressive a union as the one to which clerical workers belong, it still has fairly sharp teeth which are exposed when the occasion demands. So never under estimate them.”

By this time John realized the complexity of the job he was going to do in India. Griffith noted this from his face, and softened a little.

“Anyway I wish you all the best and call me in case anything goes wrong. And as you know you may be handing over to an HR professional in a few months and I don’t want them going around saying that the new system is all wrong.”

“Thanks Stan, I’ll see that everything goes well,” said Humphreys and that closed the meeting. He tried to sound confident but knew that Griffith could see his anxiety. He left for India the same weekend and landed in Bombay on a Saturday morning in the early hours. It was humid and hot and he felt tired and dispirited.

The Indian Scene

The first few weeks went smoothly for Humphreys. He met all the important people in the country’s central office in the first week and then went around the various branches and familiarized himself with what was happening. His lack of knowledge of handling clerical unions came through to him strongly and made him uncomfortable. Even the Staff Officer unions seemed a bit unfriendly in all the cities and the idea of putting in place the new appraisal system (see Figure 2) seemed to grow more difficult as the days went by.

During his visit to the branches in India, Humphreys had broadly broached the topic of a new appraisal system for Staff Officers and how it would also remove the element of subjectivity when a Staff Officer was being considered for promotion. To Humphrey’s surprise, the response from the area managers (Bombay, Delhi, Madras and Calcutta) was downright negative.

“Don’t meddle with something which we are not sure of. Staff Officers are only jumped up clerks,” Mike Mathias, the Manager for Calcutta and a 30 year veteran with strong views, had told him.

“They cannot come to terms with new-fangled and sophisticated HR practices. They will oppose this appraisal system and we will find ourselves in trouble which is of our own creation. In fact, they will see it as a threat to their careers and will say that it is being done to favor cronies of the

management. Moreover, John, have you ever thought of the fact that the current system of promoting Staff Officers to the Resident Manager cadre is a good one? You will find that most of the branch managers will agree with me. They like the predictability and transparency of this method. Think about it.”

“The clerical unions will piggy back on the discontent of the Staff Officers,” warned James Anderson, the Manager for New Delhi. “As it is, they are only waiting for a reason to bring the Staff Officers into their own union and this is a God sent opportunity for the union.” Humphreys knew that when a clerk was promoted to Staff Officer, he or she had to relinquish membership of their union; however, he/she then joined the Staff Officers union which also had an all-India presence. The clerical union had been keen that such

promotes continue to belong to their union, but so far the Staff Officers had not agreed to this. They wanted their own identity in the bank and felt that this would be lost if they continued as members of the clerical union.

Humphreys briefed Selby about all this and then both of them drafted a detailed letter to Griffith telling him about the views of the various managers and the possible repercussions if Staff Officers were forced to fall in line with a new appraisal system. Selby was still keen that the system be introduced but concluded the letter recommending that the issue be delayed and reconsidered after a couple of months.

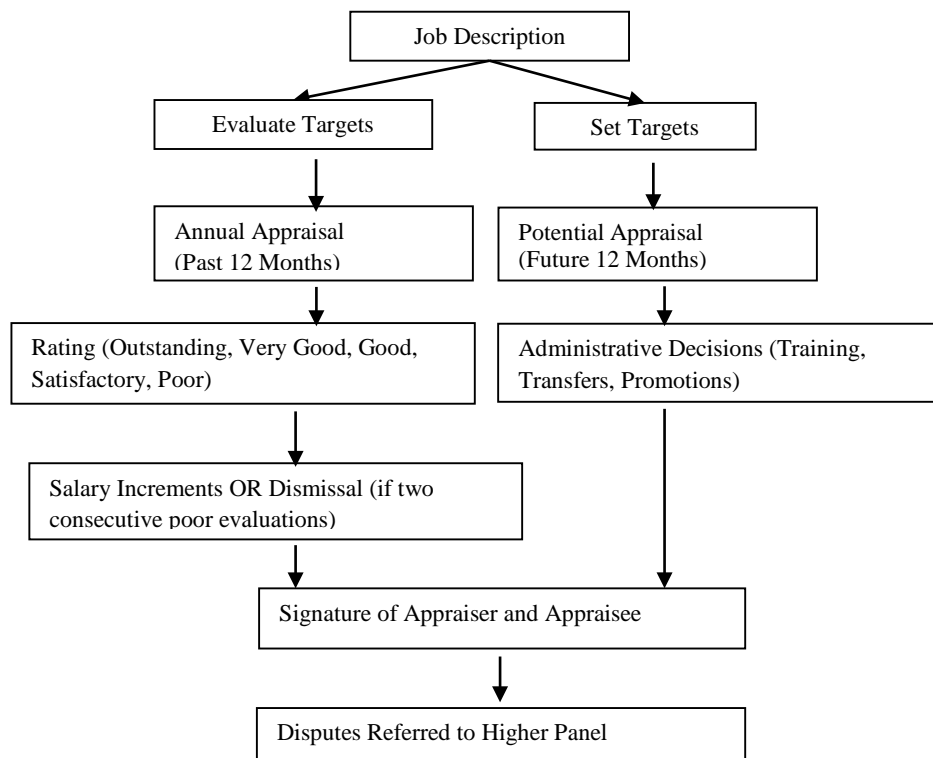


Figure 2: Process Model of the Planned Performance Management System for Staff Officers at Taiwan International Bank, India

The next morning Selby and Humphreys got a call from Griffith with regard to the recent developments which they took in Selby's office. "What type of goddamn games are you both playing?" were his opening words. "I sent John there to set right a system which you David, told me was coming apart at the seams, and now you want to let things be as they were? I don't understand this at all."

"Stan, matters are not as simple as I thought," said Humphreys, who had read Griffith's mood clearly. "I realize now this is not Singapore. However, as we are still personally keen that we put the system in place, we will go ahead and start preliminary work on the project."

"Good, I am glad to hear that – either the new system is needed or it is not. If it is needed, which is what both of you are saying, the sooner it is put in place the better. Do you want me to send professional HR backup from Head Office to support you? There are people here who can guide you in case you hit any bumps. Since both of you are new to the sub-continent, you may well be in need of this support."

"No thanks, we're sure we can handle this ourselves" said Selby, who did not like to be reminded of his brief tenure in India and that he would need support. For that matter, neither did Humphreys, who nodded in agreement. The call ended after half an hour with specific exchanges on how to take the matter forward. "I am going to tell the Chairman that you are both confident of handling this without HR support from here," were Griffith's parting words.

Both Selby and Humphreys had unwittingly committed themselves to launching a major scheme even though they were both new to India and did not fully understand the nuances of working in the country. They had also refused Griffith's offer of professional help from Head Office to support them. However, there was no turning back now. Humphreys also decided to downplay potential opposition from the area managers even though they had more experience than he had in dealing with India.

Selby had also convinced Humphreys that the current system while working well had certain flaws which needed to be addressed. The main one, according to him, was the subjective element which he felt had crept into some of the promotions to the Resident manager cadre.

A sophisticated system of appraisal for Resident Managers had been in place for around three years. The job description of the Resident Managers and the appraisal form were linked to each other -- the executive's targets for the year which were detailed in the appraisal form were picked up from the operational responsibilities. These operational responsibilities were to be found in the job description. The job description in TIB was a dynamic document and every care was made to ensure that the document remained updated and relevant. (Please see Appendix B for the Process Diagram)

The final year-end appraisal evaluated the executive's performance for the past twelve months and he or she was rated as Outstanding, Very Good, Good, Satisfactory or Poor. Salary increments for the Resident Managers were based on the rating obtained. There was also a rule that no more than 4% of Resident Managers from a country could be rated Outstanding or Poor. Two consecutive annual ratings of Poor meant automatic dismissal.

Two weeks after the call from Griffith, Humphreys finished designing a preliminary appraisal form for Staff Officers. He had decided to make it simpler than the one used for Resident Managers. This was because he felt that a shorter form would perhaps be more acceptable. Appraisals using this form would determine promotions to the executive cadre. Overall, Humphreys was comfortable with the form and showed it to Selby. Selby gave it his stamp of approval and told Humphreys to get on with it before Griffith again called them to find out the status. It was important that Griffith be satisfied with the progress as both Selby's and Humphrey's next posting was in his hands.

Humphreys then called a series of meetings over the next two weeks with the managers in the branches along with all Staff Officers in order to explain the new form to them. He decided to go alone for presenting the form as he felt that he was the best person to do the job. He called Griffith and told him about his plans.

“You sure you can handle them alone laddie?” growled the senior banker, “I still feel you haven't got a handle on the work culture there. And what about the opposition from the regional managers to this scheme? You haven't mentioned that to me for some time.”

“I'm sure Mike was exaggerating as were the others. And the appraisal form is a good one so we should be able to push it through,” responded Humphreys.

“Right ho then. I won't stop you since you have gone this far. I'll have a bit more than a wee dram tonight to bring you luck,” concluded Griffith.

The first port of call for Humphreys was Calcutta. The meeting with managers and all Staff Officers of the area (including the union officials) was arranged in one of the large hotels and started at 3.00 pm on a Saturday afternoon. Humphreys had arrived in the morning and had gone straight to the hotel to oversee the arrangements. He had not had a chance to talk to anyone before the meeting started.

After a brief introduction by Mathias, Humphreys took the floor and elaborated on the new appraisal scheme which would be put in place. He spoke for about an hour and a half backed up with some beautifully made PowerPoint slides but could feel the growing unrest and antagonism from the Staff Officers after the first half hour. He was surprised at this as the main thrust of his talk was that the new system would:

- make promotions to the executive cadre objective
- ensure that Staff Officers would know what was expected from them for the year as this would be detailed in the 'targets' section of the form
- ensure that no targets were thrust on an officer as both the appraiser and appraisee had to agree to them at the beginning of the year.

He felt there was nothing to get upset about what he was saying. At the end of his talk, he threw the meeting open for questions. He was surprised when the union members at this point walked up to the senior managers present and started talking to them in an agitated manner. This went on

for about 20 minutes at which point Mathias, the local Calcutta Manager, got up and came to Humphreys.

“I’m afraid there’s a major flap going on, John,” said Mike Mathias, the Manager. “I warned you about this at our last meeting but you chaps did not listen. I don’t like saying I told you so, but I did tell you to go easy on this appraisal business.”

“Why, what are they saying?” asked John with a cold feeling of panic coming over him.

“That under no circumstances will they accept this appraisal system and they want the current system to continue. They are also saying -- as I told you earlier -- that this system is meant to favor management’s stooges.” Mathias was now beginning to lose his temper. “Look, I’ve had more experience working in India than your entire career in the bank and you didn’t have the courtesy to listen to me.”

“What will they do now?” asked Humphreys with all pretensions of control rapidly fading.

“I don’t know about them but I am going to call Selby now about this mess you have made. This is going to hit all other branches within an hour. And I can foresee the reactions of my counterparts at the disruption this is going to cause. In fact, I was on the line to Anderson in Delhi and he told me that he had also warned you not to introduce this. If I remember right, he had told you it would drive the Staff Officers into the arms of the clerical union. But first I am going to talk to my counterparts in other branches.”

It was as Humphreys had feared. News of the disastrous meeting in Calcutta spread quickly and Staff Officers in the other branches were up in arms. They too were demanding that the *status quo* be maintained and had threatened to resort to measures which would disrupt normal operations in the branches if this were not done.

“They are also looking at joining the clerical union to give them more clout,” concluded the Manager of the Delhi branch, addressing everyone present. “I had warned that wet behind the ears Humphreys that this could happen. I think the fit will really hit the shan now.”

Half an hour later Mathias and Humphreys managed to get in touch with Selby who was getting ready to go out for his weekend game of bridge. He listened to what Mathias had to say without interruptions. Mathias was in full flow and his temper had not improved; his conversation was filled with “I told him so” and “I knew this would happen but no one listened.” He also told Selby about the conversations he had had with other branches. Mathias again dwelt on the advice given by the Manager for Delhi which also had been ignored.

“Right Mike,” said Selby at last, “I am telling John to come back over tonight and we will talk to Griffith in the morning. I don’t care if it’s a Sunday; the sooner he knows about this the better. I am also telling John to cancel his other presentations in other branches. And the Chairman is bound to know about this from Griffith tomorrow. What a bloody mess.”

The Return to Bombay

The flight to Bombay was delayed by a couple of hours and as he waited in the terminal, Humphreys had plenty of time to reflect on the problems he suddenly had to face. He knew he would not get much sympathy from Griffith. In fact, he realized that Griffith had offered him support from the HR function in Head Office and he had refused it. Griffith had also warned him about tackling unions. He had not paid much attention to that either. He could picture in his mind Griffith's call to the Chairman. "Yes, I had told them both not to go too fast in India and also without understanding the way the people worked there. But they didn't pay a blind bit of notice to what I said."

Humphreys' mind churned as he thought of how to retrieve the situation as much as possible. And what about Selby? Would he stick to his view that the present system was subjective and needed changing? If he did not, what should he – Humphreys -- do? How far could he push Selby? What recommendations should he give Selby on how to salvage the situation? Selby would definitely expect that from him.

Humphreys knew that he was focusing only on the main problem. There were over half a dozen messy and related issues which would also have to be dealt with, including his own career which was now in jeopardy. He knew he would not be sleeping that night, since he had to give clear recommendations to Selby. They would also have to deal with Griffith, who would be in a really bad mood. But how should he go about all this? He was scheduled to meet Selby the next morning at 9.00 am in the latter's office. Yes, sleep was certainly out of the question.

Appendix 1

Banking Industry Cultural Context for India

It is the responsibility of the Human Resources department in a company to continually improve the human resources systems in place. This includes changes in systems as well as procedures, and bringing in new formats of various documents which will do the job better than the earlier ones. However, sometimes such changes can set off a chain of unintended consequences. Especially when the individuals initiating such changes are outsiders – or perceived as outsiders – changes invariably generate adverse reactions and even hostility. The incidents narrated in this case are drawn from real life and actually occurred in a multinational bank in Mumbai (Bombay). As is customary with banks in India, there existed a class of employees called ‘Staff Officers’, who were in fact promoted from clerical positions. Their job was mainly supervisory in nature and they looked after the routine operations of the bank. If they performed well, they could be promoted to the level of ‘Executives,’ which included several levels of middle-management. Bank employees at all levels were members of strong and powerful unions.

The HR department at national level was invariably headed by a manager from Head Office based in Taiwan. At the time of the incidents narrated the position was headed by John Humphreys, who was a career banker with around 18 years’ experience of working in the bank. He in turn reported to the Chief Executive Officer, David Selby, also from Head Office. Selby and Humphreys were ‘International Managers’ which meant that they would be posted to a country for a period of 2 to 3 years after which they would move on to another country and assignment. Both had been posted to India almost simultaneously which was unusual in the bank; normally one of them stayed on for a few months after the other had left so that the element of continuity was established.

Humphreys was charged with introducing a new performance appraisal system for the Staff Officer cadre. In fact, that was one of the main reasons he had been sent to India as he had the experience of launching a similar system in Singapore, which he had done in three months’ time. Humphreys however had no experience in working in a unionized setup and his HR experience was also fairly limited. In fact, this was his second posting in a staff (non-banking) function. The case describes how Humphreys went about the process of putting in place the new appraisal system in India and the reactions that followed, with repercussions felt throughout the country-wide operations.