
A study on performance appraisal system practiced in sugar mills, and its impact on employees' motivation. A case study of Simbhawli sugar limited, India
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ABSTRACT

Performance Appraisal System (PAS) has been observed by intellectuals and human resource professionals as a valuable implementation for human resource management (HRM). Hitherto effective PAS remains a hardheaded challenge to management and employees, due to reasoning, intuition, perception, motivational and behavioral factors. An ideal Performance Appraisal System should be free from prejudice and cronyism which can replace objectivity. A study through survey was conducted among executives and managers of Simbhaoli Sugar Limited. It is one of the biggest Sugar Mills in UP, and considered as an icon in the manufacturing capacity of sugar in northern India. A survey questionnaire was administered among 42 managerial and subordinate staff. Data collected were analyzed quantitatively using both descriptive and inferential statistical tools. Z-test was used to understand the impact of PAS on employee motivation and it was revealed that PAS has a significant impact on employees' motivation at Simbhaoli Sugar Limited. It was also observed in survey that Simbhaoli Sugar Limited put extra emphasis on setting Key Result Areas (KRAs) and performance of employee is measured based on the achievement of set KRAs. Emphasis on training is required after the completion of Performance Appraisal procedure at SSL. Some recommendations were also suggested for increasing the motivation level of SSL employees.

Key words: Performance appraisal system, motivation, employees.

1. Introduction

In a period where there is a requirement for wide-ranging development, the sugar industry is amongst the few businesses that have effectively contributed to the rural economy. It has done so by commercially using the rural resources to meet the huge indigenous demand for sugar and by producing surplus energy to meet the mounting energy needs of India. In addition to this, the industry has become the bastion of the liquor industry. The sector chains more than 50 million farmers and their families, and brings value addition at the farm side. In common, sugarcane price accounts for approximately 70 percent of the ex-mill sugar price. The segment also has a noteworthy reputation in the global sugar world. The Indian domestic sugar market is one of the prevalent markets in the world, in capacity terms. India is also the second largest sugar producing geography. India constitutes a major growth driver for world sugar, rising above the Asian and world consumption growth average.

1.1 Simbhaoli Sugar limited in brief

The Simbhaoli Sugar Mills (SSML) was established in Jun.'36 as a private limited company, it was changed into a deemed public limited company in 1975 and a public limited company in Jul.'89. Its plant is in Western Uttar Pradesh. SSL was promoted by Sardar Raghbir Singh Sandhanwalia, Sardar Pritam Singh, Sardarni Mahindra Kaur, Sardar Naunihal Singh Mann and SBS Joginder Singh. Gurmit Singh Mann is the Chairman and Managing Director. Other group companies are Dholadhar Investments, Highland Gardens and Hotels, etc. SSL floated a public issue of 22.64 lac 14% FCDs a total of Rs 21.08 crore in Jan.'95. SSL is one of the biggest sugar producing units in Uttar Pradesh. The core finished products of SSL are white crystal sugar and alcohol. The products are sold to different government organizations and to the canteen provisions of the Armed Forces. During 1993, Simbhaoli Industries Private Limited was merged with the company because of its synergies in function and proximity to the sugar unit. The company has signed a MoU with E-conergy International Corporation (EIC), US, for investigating the practicability of setting up a global standard biomass-based power plant. It has also signed a MoU with Soli, Israel, for setting up a tissue culture facility at Simbhaoli. In 2001-02 the Chilwaria Sugars Ltd a subsidiary company was amalgamated with the company with the approval of shareholders and Honorable High Court of UP. The projects which are under completion stage are: Conversion of Simbhaoli manufacturing facility into a sugar refinery under the Sugar Development Fund, increasing the capacity of distillery division to 90 KL/day from the existing 60 KL/day, setting up a co-generation facility at its distillery division. Out of the above Co-generation facility is under implementation stage and conversion of sugar refinery is also nearing completion. The company had set up a new unit (a 30 KL per day capacity) at its existing distillery division (at Simbhaoli, Ghaziabad) for manufacture of Ethanol, its production was started in Jan 2004

The sugar business of SSL has an absolute integration with distillery and cogeneration of power; leading to maximum use of by-products. It has three distilleries adjacent to the sugar plants with an aggregate capacity of 210 kilo liters per day (KLD), including 180 KLD ethanol capacity. The Company has hived-off its potable alcohol distillery at Simbhaoli vide Hon'ble High Court order dated September 17, 2012, to its subsidiary company, Simbhaoli Spirits Limited. The hiving-off is effective from October 1, 2010. The Simbhaoli distillery is capable to produce up to 5.0 mn cases of IMFL and Indian Made Indian liquor (IMIL) annually. The power generation units of Simbhaoli Power Private Limited (SPL), located within the Simbhaoli and Chilwaria complexes of the Company are capable to generate biomass based power aggregating to 64 mwh. The Simbhaoli and Chilwaria units of SPL are supplying the surplus power to the UP State grid under the Power Purchase Agreements.

SSL is one of the rare sugar companies in India, which has potential to manufacture and export EC grade refined sugar for straight consumption to developed nations, both under bulk and branded segments. During the year, a range of forte sugars including white refined sugar in consumer packs, Sunhera (Mineral Sugar), Coffee Brown Sugar, Icing Sugar, Sachets and Cube Sugar under TRUST Brand; has been exported to countries like Canada, Mauritius, Bahrain, Kuwait and Oman. During the year, the Company has also accomplished the export of refined sugar against its expenditure commitment under the Advance Authorization Scheme (AAS) and open general license (OGL). For the optimum utilization of the production volumes the Company has imported 30,214 MT of Brazilian origin raw Sugar for processing in sugar season 2012-13.

2. Literature review

Performance appraisals are one of the most important requirements for successful business and human resource policy (Kressler, 2003). Rewarding and promoting effective performance in organizations, as well as identifying ineffective performers for developmental programs or other personnel actions are essential to effective human resource management (Pulakos, 2003). The ability to conduct performance appraisals relies on the ability to assess an employee's performance in a fair and accurate manner. Evaluating employee performance is a difficult task. Process in evaluating the performance of employees is one of the most important determinants of organizational justice (Greenberg, 1986; Folger et al., 1992). Further review in the literatures indicates that fair practices in human resource management, particularly in terms of performance appraisal has a predictive role in the employees' attitude such as the organization's commitment (Jehad et al., 2011). Performance appraisal is viewed as an important mechanism for changing employees' attitude and behaviors such as affective commitment (Morrow, 2011). According to Stephan and Dorfman (1989) outcomes of effective performance appraisal are improvement in the accuracy of employee performance and establishing relationship between performance on tasks and a clear potential for reward. Dobbins, Cardy and Platz-Vieno (1990) told five outcomes i.e. use of evaluations as feedback to improve performance, reduced employee turnover, increased motivation, existence of feelings of equity among employees, linkage between performance and rewards.

Motivation is an important issue in any organization because it is involved in energizing or initiating human behavior, directing and channeling that behavior and sustaining and maintaining it (Steers and Porter 1987). Herzberg (1987) argues that in order to motivate employees through performance appraisal, the system should be used for reward and recognition. There is no doubt, however, that extrinsic incentives can boost performance (Herzberg, 1987). Hamner (1987) cautions that these systems can fail for a number of reasons including if pay is not related to performance, if ratings are seen to be biased, if rewards are not viewed as rewarding, if there is more emphasis on satisfaction with pay than performance and if there is a low level of trust and openness about the merit raises. Again, some merit pay schemes may encourage poor work practices as individual employees attempt to maximize their personal gains to the detriment of the entire organization (Hickey and Ichter, 1997).

The employer prefers an appraisal system or a mix of methods to appraise the performance of employees. The employee is either motivated or convinced high to perform depending on how the appraisal was governed. Whether employees are enthusiastic or apprehensive, it affects their intensity of performance which in turn affects output (productivity). The owner receives output as feedback on the effectiveness or else of the appraisal procedure.

2.1 Human resource at Simbhaoli Sugar Limited

"Our HR programme is designed to nurture a work culture that attracts and sustains exceptional talent and helps them realize their full potential as professionals" quoted in Seventieth Annual Report SSL 2005-06

The Company's strength is consequent from employees' association and esprit-de-corps. SSL trusts that unswerving and motivated personnel constitutes the most important factor in achieving business goal.

The Company is committed to maintain the primary values of individual and workplace rights in all its businesses and considers that the proper measure of a well-organized business is not simply whether it is economically successful, but how it attains that achievement. It