

**“An Analysis of Employees’ Performance
Appraisal System: A Study on **Hennes &
Mauritz AB (H&M)**”**

H&M



& other Stories

MONKI

COS

WEEKDAY

Letter of Transmittal

10th October, 2016

To
Khadiza Rahman Tanchi
Senior Lecturer
Faculty of Business & Economics
Daffodil International University


Subject: **Submission of internship report on “An Analysis of Employees’ Performance Appraisal System: A Study on Hennes & Mauritz (H&M) AB”**

Dear Madam,

With due respect I would like to submit the internship report entitled “An Analysis of Employees’ Performance Appraisal System: A Study on Hennes & Mauritz (H&M) AB” I have tried my level best to focus closely on the topic and tried to collect most complete and updated information available while preparing the internship report. I believe that this analysis will give you a clear scenario of the relationship between performance appraisal system and its impact on employee job satisfaction.

I hope this authentic and truehearted activity will help you to have positive angle of vision upon me. I apologize in advance for any mistakes made unconsciously. I will be glad to furnish you with further explanations or clarifications that you may feel necessary in this regard. I will be obliged if you kindly approve this effort.

Yours sincerely,


10.10.16

Parmita Rahman Ivy
ID: 123-11-2774
Program: BBA

Department of Business Administration
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Declaration

I hereby declare that, the internship report titled “**An Analysis of Employees’ Performance Appraisal System: A Study on Hennes & Mauritz (H&M) AB**” is an outcome of my own efforts under the guidance of Khadiza Rahman Tanchi, senior lecturer, Daffodil International University. The report is submitted to Daffodil International University, for the partial fulfilment of the Bachelor of Business Administration.

I also hope that this report has not been previously submitted to any other university.

Parmita Rahman Ivy 10.10.16

Parmita Rahman Ivy

ID: 123-11-2774

Program: BBA

Department of Business Administration

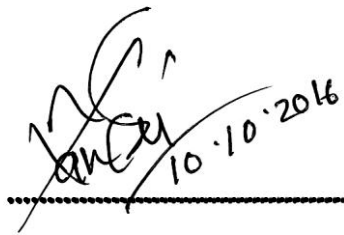
Faculty of Business & Economics

Daffodil international University

Certificate of Supervisor

This is to certified that Parmita Rahman Ivy, ID-123-11-2774 major in Finance has successfully completed Internship program and prepares a report on “**An Analysis of Employees’ Performance Appraisal System: A Study on Hennes & Mauritz (H&M) AB**” under my supervision as a partial requirement for BBA completion.

She has done her internship under my supervision and guidance. She has tried her best to do this successfully. I think it will help her in near future and to build career.



Handwritten signature and date: 10.10.2016

Khadiza Rahman Tanchi
Senior Lecturer
Department of Business Administration
Faculty of Business & Economics
Daffodil international University

Acknowledgement

At first, I would like to thank my honourable supervisor Khadiza Rahman Tanchi who gave me the opportunity to work on the topic of “An Analysis of Employees’ Performance Appraisal System: A study on Hennes & Mauritz (H&M) AB” I feel that without her help and support I couldn’t have made this report. She always gave me the clear guidelines that enabled me to successfully understand the structure of the paper and complete the report

Next I would like to thank Hennes & Mauritz AB authority for their cooperation in doing this report. I would specially like to express my gratitude to Tamanna Islam, HR Business partner, Hennes & Mauritz AB for giving me the information and other supports that highly contributed in the completion of this report. Whenever I got confused or looked for assistance, she always responded and helped me with admirable patience. Her assistance is unforgettable in every aspect.

To make this report, I needed lots of information about Hennes & Mauritz. In this report, I have used the information provided by different corporate personnel. Apart from these, I needed support from different people for data collection and survey work. I convey my warmest regards to them.

Executive summary

Hennes & Mauritz AB (H & M) is a Swedish multinational retail-clothing company, known for its fast-fashion clothing for men, women, teenagers and children. In 1947 Hennes women's clothing store opened in Vasteras, Sweden. Today the H&M Group offers fashion for everyone under the brands of H&M, COS, Monki, Weekday, Cheap Monday and & Other Stories, as well as fashion for the home at H&M Home. H&M should always have the best customer offering in each and every market. Quality is a central topic where to H&M, design, quality and sustainability are not a question of price: they should always offer inspiring fashion with unbeatable value for money. The report entitled "An Analysis of Employees' Performance Appraisal System: A Study on Hennes & Mauritz (H&M) AB" is a non-probability survey based report – all these done by the researcher with a very short time frame. So there is a possibility that some branch of the information of this report might not express the actual scenario.

There are mainly five chapters in this report – first chapter is about the introduction part, second chapter consists of the company profile, third chapter includes the literature review. From forth chapter starts the learning part and fifth chapter includes findings, recommendation and conclusion. From the study, the researcher came to know that H & M is one of the largest fashion brands around the world. Their growth rate is very high. But in this edge of competition, it is very difficult to keep the leading edge intact. Companies need to come up with new ideas to remain competitive. Fashion brands like H&M needs to keep their employees satisfied to boost up their productivity in terms of variations and negotiations. For this reason authority should evaluate the performance of each employee carefully. Performance appraisal is one of the important tools to keep employee informed about their mistakes and resolution how they can rise above those mistakes. If employees are not satisfied, H & M can specify the zones of dissatisfaction and take necessary actions to remove the dissatisfaction.

The researcher has found that H&M doesn't follow the traditional performance appraisal system, rather they have individuality in terms of the overall procedure. The performance of each and every employee who is working at H&M AB is evaluated on the basis of a framework named

"Competency Framework". A **competency** is defined as a measurable pattern of knowledge, skills, abilities and behaviours that an employee needs to perform to work successfully. Basically

it is the elaborated form of their values which every employee follows very strictly. From the four months of experience the researcher has found that, in spite of having a very standardized procedure, they employees are not much aware of the details of that procedure. As a result it conflicts with their behaviour and performance. Even though they use the H&M words at their daily activity, their understanding varies person to person and is vague sometimes. If they are provided with proper training on the detail of competency framework they will understand its importance and will be more focused.

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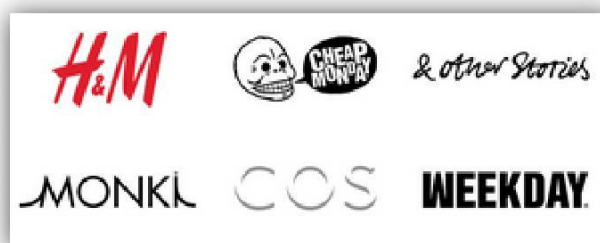
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CHAPTER 1

INTRODUCTION OF THE STUDY

1.1 INTRODUCTION

From a single woman's wear shop in Vasteras, Sweden, to six different brands and 4,000 stores all around the world. H & M Hennes & Mauritz AB comprises six independent brands: H&M, COS, Monki, Weekday, Cheap Monday and & Other Stories.



H&M is a value-driven, customer-focused, creative and responsible fashion company. For them, fashion, fun and action are essential. They are defined by —the H&M way—: the combination of their culture, values and guidelines that reflects the heart and soul of H&M. —The H&M way— defines who they are, what they do and how they do it. It is a framework through which they can continuously manage their performance, work together, and encourage new talents as they grow and develop.

It was a great learning opportunity and privilege for me to complete my internship training at H&M Bangladesh, which carries a legacy of being one of the world's most admired companies for years and counting. My Internship program began from 10th February, 2016 and continued till 10th June, 2016. I was assigned to work in the HR Team and all the activities of these four months have been taken into account to work with the supply chain of Hennes & Mauritz AB.

Staff management is an important task for our HR departments. The HR organization is a supporting part connected to all the departments within the H&M group. There is at least one contact person for every supply chain and department.

I along with so many scheduled task including different employee activation initiatives, employee records, organization of employee benefit programs, summarizing employee training requirements was involved with their performance appraisal system.

Performance appraisal is a term applied to a variety of processes that involve the assessment and development of an individual and their performance at work. The main objective of performance appraisals is to measure and improve the performance of employees and increase their future potential and value to the company.

1.2 BACKGROUND OF THE STUDY:

This report has been generated based on the experience and knowledge acquired throughout the 4 months of internship program, as the requirement of the completion of Bachelor of Business Administration (BBA) degree. Title of my internship report is —Employees‘ Performance Appraisal System: A study on Hennes & Mauritz AB (H&M)l. It is a formal system of review and evaluates the individual and team task performance.

Education is a combination of both theoretical and practical knowledge. Without any of the two, the education is considered incomplete. In our BBA program we have gained knowledge about many subjects and their use in real business/job market. But most of them were theoretical knowledge. Recognizing the importance of practical experience in completing our education, internship requirement is mandated. My internship period in Hennes & Mauritz AB started on February 10, 2016 and ended on June 10, 2016. During my internship period, I got the opportunity to work in HR department of H&M Hennes & Mauritz AB. Based on my practical work experience and in light of the guidelines of my supervisor Khadiza Rahman Tanchi, Senior lecturer, this report is prepared.

1.3 SCOPE OF THE STUDY:

An internship is a planned, structured and supervised field based job experience, which is directly related to student’s personal interest and career inspiration. The following report is prepared under the supervision of Mrs. Tamanna Islam, HR business Partner of H&M Bangladesh Production Office. Additionally, the report would give a clear picture to my assessor

about the practical knowledge that I have gained through this internship program and the grooming up of my dormant potentialities required for future job employment.

H&M follows quite a different performance appraisal system as compared to the traditional performance appraisal system. The performance of each and every employee who is working at H&M AB is evaluated on the basis of a framework named —Competency Framework|. A competency is defined as a measurable pattern of knowledge, skills, abilities and behaviors that an employee needs to perform to work successfully.

1.4 OBJECTIVE OF THE REPORT:

The study has been undertaken with the following objectives:

Broad Objective

The main objective of this report is to explore the employees‘ performance appraisal system of Hennes & Mauritz (H&M).

Specific Objectives

- To know the overall performance appraisal methods followed by Hennes & Mauritz AB (H&M).
- To focus on how Employees‘ Performance Appraisal system is practiced in Hennes & Mauritz AB (H&M).
- To find out the differences between theoretical knowledge with practical use of performance appraisal system.
- To identify the major problems that is affecting performance appraisal system in Hennes & Mauritz AB (H&M).
- To propose some recommendations that can help authority to apply best practices of performance appraisal system that suits the business.

1.5 METHODOLOGY:

Major part of data was collected through the primary and secondary sources. It was not easy to collect primary data because the company's information is very confidential. Since, I along with the other employees of H&M have signed their Code of Ethics.

1.5.1. RESEARCH DESIGN:

This is descriptive type of research, which briefly reveals the overall performance appraisal system it has been directed by the respective organization.

1.5.2. SAMPLE PLAN:

Population and Sampling unit of the study

The target population of this study covers the current employees of Hennes & Mauritz AB (H&M) at gulshan office, approximately the total employee of that branch was 1500, however I closely worked with two of their supply chains including around 70 and 35 members. My mother department was HR including 16 members. Majority of the information I have collected from those employees. Employees are chosen from different management level of H&M such as officers, HR executives, Managers Etc.

1.5.3. SOURCES OF INFORMATION:

There two types of sources for collecting data for the study such as primary data and secondary data. Primary data are more accurate, time consuming and difficult to collect whereas secondary data is less accurate, available and easy to collect.

The primary sources of data and information were:

- Observation during the total internship period.
- HR policy of Hennes & Mauritz AB
- Operational process.
- Discussion with officials of Hennes& Mauritz AB
- H&M Inside. (They have a website named —H&M Inside|| which includes the overall summary of H&M history, culture, values and so on. It is not available for outsiders)

The secondary sources of data are as follows:

- Web site of H&M Hennes & Mauritz AB
- HRM books and Periodicals.
- Internet, Newspapers and magazines.
- Documents supplied by the executives and officers of H&M.
- Office files and Documents

1.6 LIMITATIONS OF THE STUDY:

The preparation of this report writing posed few impediments.

- H&M has strict policies regarding confidentiality and maintains an ideal standard of security discipline.
- The IT department constantly monitors and supervises to make sure security of information. I had very limited access to the security information needed to prepare the inclusive my job responsibilities.
- My tasks were very confidential and restricted in nature. Thus, my collections of proof of writing evidences were difficult.
- Since I carried out such a study for the first time so experience is one of the main factors that constitute the limitation of the study.

CHAPTER 2

COMPANY PROFILE

2.1 COMPANY OVERVIEW:

Hennes & Mauritz AB (H&M) is a 100 billion SEK company, engaged in designing and retailing of fashion apparel and accessories. The company offers a range of apparel, cosmetics, footwear and accessories for men, women, children and teenagers. H&M primarily operates in Europe, North America and Asia, and has a presence in over 33 countries. H&M exists in 61 countries with over 3,900 stores and as of 2015 employed around 133,000 people.

As one of the world's largest fashion retailers, H&M offers endless career opportunities. A fast-paced, buzzing environment with great diversity, a place where the customer is always the center of attention.

But what truly make H&M stand out are the remarkable employees. From stylish Sales Advisors and Visual Merchandisers to computer whizzes and business aware planners – all wits employees share a great ambition and an anything-is-possible attitude. Not to mention an excellent eye for fashion. It's thanks to them that H&M has grown – with over 4000 stores in more than 61 markets worldwide. And they are continuing to grow.

The H&M spirit...A value driven way of working

H&M is a complete value-driven company. Its values reflect the heart and soul of H&M. They define what it takes to work here and how we do things. When they interact with colleagues and customers around the world, their values help them to develop and grow. Individually these values may seem obvious, but together they form a culture that is unique and different from many other companies.

- **We believe in people**
- **We are one team**
- **Constant improvement**
- **Straight forward and open-minded**
- **Entrepreneurial spirit**
- **Keep it simple**

- **Cost conscious... In all they do, sustainability is a natural part**

People are H&M's success, and are committed to being a good employer. By providing a fun, creative and dynamic workplace, they all grow together.

H&M's approach is shaped by a strong respect for each individual. This applies to every aspect of the employment – from fair wages, working hours and freedom of association, to equal opportunities for growth and development within the company. Being a good employer is particularly important in countries where laws and regulations fall short of our own standards and requirements.

It has a strong ethical approach. This means that the company takes a clear stand against discrimination and harassment wherever it operates. Their workforce possesses great diversity in terms of age, gender and ethnicity, all of which are great assets for the company. Equality is very important to us. An example of this is that 50% of our board members are women.

At H&M, they endorse the —open door principle, which gives every employee the right to discuss work-related issues directly with management. Their employees also have the right to collective bargaining. It constantly strives for good relations with employees as well as employee associations and trade unions.



Production

In the Production organization H&M transform design ideas into actual products; always with the ambition to offer all products at lowest cost and shortest lead-time whilst improving customer-perceived quality for the brands and concepts. It secures that it produces safe products and remain in the forefront of sustainability.

Production is spread out on 3 continents with offices in sourcing markets across Europe, Asia, and Africa. H&M works in a matrix organization where the Head Office for Production is located in Hong Kong.

Country Organization

The main purpose of the Country Organization is to legally represent the Company in the country and to ensure a sustainable platform which enables H&M's business development in the region, both short and long term. The Country Organization guarantees stability and secures that we are in the forefront in every country we purchase. Different support functions belong to the Country Organization; Office Operations, IT, Human Resources, Sustainability, Accounts, Shipping etc.

Bangladesh Region

Bangladesh Country Organization consist of three offices; BDDH, BDCH and PKKA. The production offices in Bangladesh region reports to the regional office located in Dhaka, Bangladesh.

Chittagong is a support office which means they only do quality control and CoC. No merchandising.

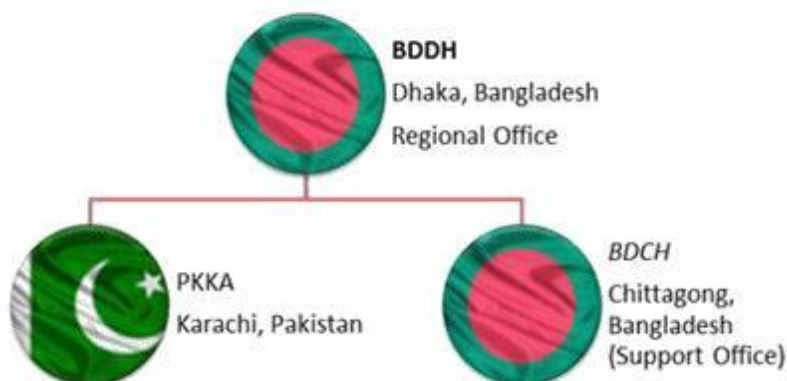


Figure 2.1.A: Classification of Bangladesh country organization

H&M Bangladesh PO's Talent and HR Services offers three distinctive and integrated offerings, all underpinned by our market-leading capabilities and tools:

- **Talent Services:** Provides innovative solutions across the end-to-end employee life cycle by aligning talent requirements with business objectives, and by increasing productivity and overall workforce performance. They have distinctive assets in this space, including workforce planning, talent acquisition, mobile learning and Accenture Academy. This offering also draws upon their assets in Talent and HR Analytics.
- **HR Services:** Provides end-to-end solutions for HR organizations, from HR strategy through HR operations, powered by IT and Cloud solutions. They leverage their strong alliance relationships, and we invest in next-generation HR operating models and integrated process models.
- **Talent and HR Analytics:** Powers their other offerings to help clients address their workforce issues, identifying and measuring key performance indicators from Big Data HR sources, helping to drive greater engagement and retention of critical talent, and better overall workforce performance.

Here is a brief description of different H&M brands:

H&M

H&M's design team creates sustainable fashion for all, always at the best price. The collections include everything from dazzling party collections to quintessential basics and functional sportswear – for women, men, teenagers and children, and for every season or occasion. In addition to clothes, shoes, bags, accessories, make up and underwear there is also H&M Home – fashionable interiors for children and adults.

The width and variety of the H&M collections mean customers can always find something to suit their style and their wardrobe. There are H&M stores in 62 markets worldwide, and online shopping in 32 countries.

hm.com

COS

Modern, timeless, tactile and functional. Exploring the concept of style over fashion, COS offers fashion pieces for the contemporary wardrobe. Here, high-end design and quality that lives beyond the seasons is available for women, men and children.

COS is available in 30 countries, and retails online in 19 markets.

cosstores.com

Monki

Monki is a fashion experience – clothes, accessories, and a store concept characterized by playfulness, creativity and colorful graphic design. The brand's individualistic street wear is aimed primarily at young women, but Monki is about personal style for all ages.

The Monki collections are available at stores in 13 markets as well as online in 18 markets.

monki.com

Weekday

Weekday is a modern and mindful fashion and denim brand offering international fashion influenced by Scandinavian style. We carry in-house brands as well as a selected offering of external designers. We keep both the future of fashion and the future of society in mind.

Weekday has stores in 5 countries and ships to 18 markets.

weekday.com

Cheap Monday

Cheap Monday's collections combine influences from street fashion and subculture with a catwalk vibe. At the core of the brand is the on-trend denim range, completed by clothing and accessories with a high-fashion feel. All at prices to suit almost any budget.

Cheap Monday is available through selected retailers around the world, as well as from its own stores and online in 5 markets.

cheapmonday.com

& Other Stories

& Other Stories was launched in March 2013, offering an extensive selection of clothes, shoes, bags, accessories and cosmetics. The brand is all about fashion, with particular focus on quality and design details as well as personal expression and styling.

& Other Stories initially opened in Europe with stores in 10 countries and online sales in 13 markets.

stories.com

2.2 Human Resources Department

At H&M, HR activities are guided by a fundamental respect for the individual (AR1 2008). This applies to every aspect from fair wages, working hours and freedom of association to the opportunity for growth and development within the company. This also indicates that the company has specific policies for areas such as Equal opportunity, Managing diversity, and employee development, Health and Safety, among others. The company's success is closely linked to the continued development of everyone working in the company.

What does the HR department do?

Staff management is an important task for our HR departments. The HR organization is a Great Place to Work supporting part connected to all departments within the H&M group. There is at least one contact person for you and your department.

- The HR department of H&M Bangladesh Production Office secures very important roles starting from Recruiting potential candidates, working on staff policies, managing expatriates, compensation & rewards for employees etc.
- The goal of the HR department is to aligning every HR activities with the Global Guidelines of H&M that is maintained by all the Production Offices of H&M and together working to achieve the title of globally.

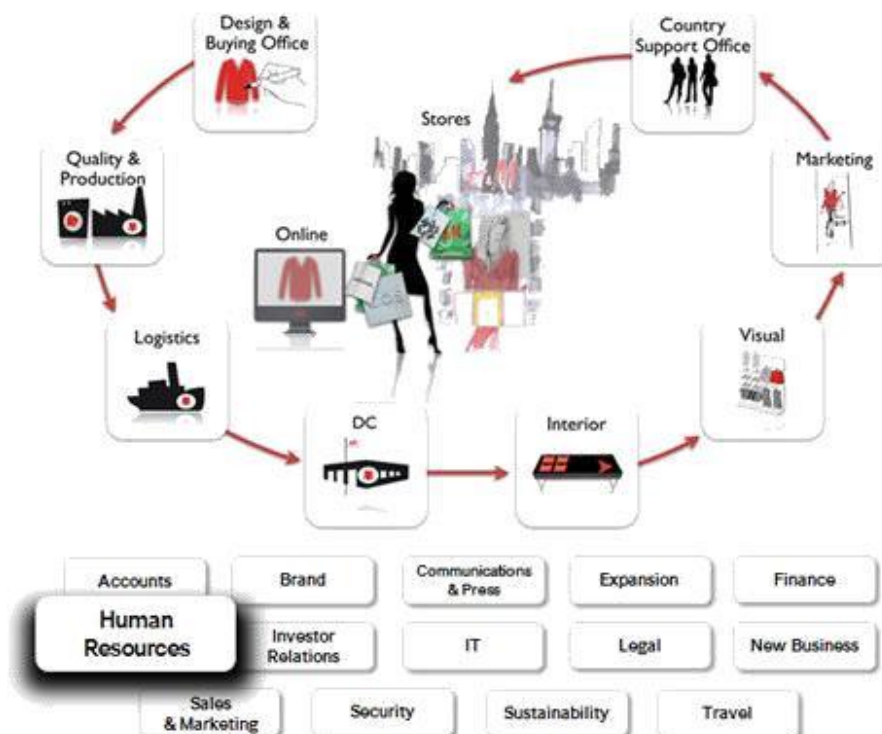
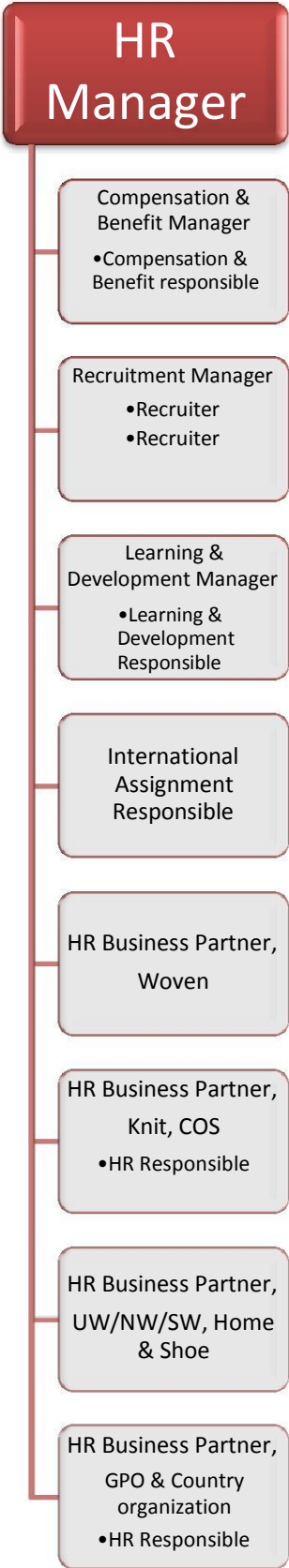


Figure 2.2.A: Departments of H&M

Figure 2.2.B: Organization Chart of HR Department,



CHAPTER 3

LITERATURE REVIEW

3.1 PERFORMANCE APPRAISAL:

Performance appraisal may be defined as a structured formal interaction between a subordinate and supervisor, that usually takes the form of a periodic interview (annual or semi-annual), in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development.

In many organizations - but not all - appraisal results are used, either directly or indirectly, to help determine reward outcomes. That is, the appraisal results are used to identify the better performing employees who should get the majority of available merit pay increases, bonuses, and promotions. By the same token, appraisal results are used to identify the poorer performers who may require some form of counselling, or in extreme cases, demotion, dismissal or decreases in pay. (Organizations need to be aware of laws in their country that might restrict their capacity to dismiss employees or decrease pay.) Whether this is an appropriate use of performance appraisal - the assignment and justification of rewards and penalties - is a very uncertain and contentious matter.

Job performance is a central issue in the psychology of work and occupations. In many ways it has often been argued that the main goal of an occupational psychologist is to improve job performance.

For example, an occupational psychologist conducts a job analysis with a view to defining, as accurately as possible, the best person to perform the job. The primary aim of optimizing the techniques of recruitment and selection is to find the best possible person to fill the vacant post and perform the role in question. Ergonomic design of work settings is conducted in order to optimize the post-holder's comfort and efficiency in performing the role, and thus creating an environment which facilitates the optimum job being completed. In turn, improved job performance results in greater productivity and economic viability.

Performance appraisal is a term applied to a variety of processes that involve the assessment and development of an individual and their performance at work. In the United Kingdom,

performance appraisal has been with us for the best part of a century. While it is to a large extent about evaluating a person's performance at work, three key issues are worth bearing in mind:

1. Performance appraisal is a two-way process. As much as the employer wishes to measure and understand an employee's performance, the employee wishes to gain something from the process.
2. The appraisal process is about the development of staff as well as about assessing their performance; it is about exploring the appraisee's potential for development in terms of their career;
3. In appraisal there is an important issue about the extent to which one looks at the overall picture of the individual and what they bring to the workplace beyond doing the basic job tasks and activities (e.g. to what extent do they help their team to function more effectively?).

Performance Appraisal Process

1. Objectives definition of appraisal
2. Job expectations establishment
3. Design an appraisal program
4. Appraise the performance
5. Performance Interviews
6. Use data for appropriate purposes
7. Identify opportunities variables
8. Using social processes, physical processes human and computer assistance.

3.2 OBJECTIVES OF PERFORMANCE APPRAISAL:

The main objective of performance appraisals is to measure and improve the performance of employees and increase their future potential and value to the company. Other objectives include providing feedback, improving communication, understanding training needs, clarifying roles and responsibilities and determining how to allocate rewards.

Providing Feedback: Providing feedback is the most common justification for an organization to have a performance appraisal system. Through its performance appraisal process the individual learns exactly how well he/she did during the previous twelve months and can then use that information to improve his/her performance in the future. In this regard, performance appraisal serves another important purpose by making sure that the boss's expectations are clearly communicated.

Facilitating Promotion Decisions: Almost everyone in an organization wants to get ahead. How should the company decide who gets the brass rings? Performance appraisal makes it easier for the organization to make good decisions about making sure that the most important positions are filled by the most capable individuals.

Facilitating Layoff or Downsizing Decisions: If promotions are what everybody wants, layoffs are what everybody wishes to avoid. But when economic realities force an organization to downsize, performance appraisal helps make sure that the most talented individuals are retained and to identify poor performers who effects the productivity of the organization. (India's largest software services provider TCS axed 1,000 jobs in the country due to non-performance by its employees.

Encouraging Performance Improvement: How can anyone improve if he doesn't know how he's doing right now? A good performance appraisal points out areas where individuals need to improve their performance.

Motivating Superior Performance: This is another classic reason for having a performance appraisal system. Performance appraisal helps motivate people to deliver superior performance in several ways. First, the appraisal process helps them learn just what it is that the organization

considers to be __superior.“ Second, since most people want to be seen as superior performers, a performance appraisal process provides them with a means to demonstrate that they actually are. Finally, performance appraisal encourages employees to avoid being stigmatized as inferior performers (or, often worse, as merely __average“).

Setting and Measuring Goals: Goal setting has consistently been demonstrated as a management process that generates superior performance. The performance appraisal process is commonly used to make sure that every member of the organization sets and achieves effective goals.

Counseling Poor Performers: Not everyone meets the organization’s standards. Performance appraisal forces managers to confront those whose performance is not meeting the company’s expectations.

Determining Compensation Changes: This is another classic use of performance appraisal. Almost every organization believes in pay for performance. But how can pay decisions be made if there is no measure of performance? Performance appraisal provides the mechanism to make sure that those who do better work receive more pay.

Encouraging Coaching and Mentoring: Managers are expected to be good coaches to their team members and mentors to their proteges. Performance appraisal identifies the areas where training is necessary and encourages managers to take an active coaching role.

Supporting Manpower Planning: Well-managed organizations regularly assess their bench strength to make sure that they have the talent in their ranks that they will need for the future. Companies need to determine who and where their most talented members are. They need to identify the departments that are rich with talent and the ones that are suffering a talent drought. Performance appraisal gives companies the tool they need to make sure they have the intellectual horsepower required for the future.

Determining Individual Training and Development Needs: If the performance appraisal procedure includes a requirement that individual development plans be determined and discussed, individuals can then make good decisions about the skills and competencies they need

to acquire to make a greater contribution to the company. As a result, they increase their chances of promotion and lower their odds of layoff.

Determining Organizational Training and Development Needs: Would the organization be better off sending all of its managers and professionals through a customer service training program or one on effective decision making? By reviewing the data from performance appraisals, training and development professionals can make good decisions about where the organization should concentrate company-wide training efforts.

Validating Hiring Decisions: Is the company hiring stars, or is it filling itself with trolls? Only when the performance of newly hired individuals is assessed can the company learn whether it is hiring the right people.

Providing Legal Defensibility for Personnel Decisions: Almost any personnel decision—termination, denial of a promotion, transfer to another department—can be subjected to legal scrutiny. If one of these is challenged, the company must be able to demonstrate that the decision it made was not based on the individual's race or handicap or any other protected aspect. A solid record of performance appraisals greatly facilitates legal defensibility when a complaint about discrimination is made.

Improving Overall Organizational Performance: This is the most important reason for an organization to have a performance appraisal system. A performance appraisal procedure allows the organization to communicate performance expectations to every member of the team and assess exactly how well each person is doing. When everyone is clear on the expectations and knows exactly how he is performing against them, this will result in an overall improvement in organizational success.

Training Needed: These appraisals also identify the necessary training and development the employee needs to close the gap between current performance and desired performance.

Additional objectives Performance appraisal:

- To review the performance of the employees over a given period of time

- To judge the gap between the actual and the desired performance.
- To help the management in exercising organizational control.
- Helps to strengthen the relationship and communication between superior – subordinates and management – employees.
- To diagnose the strengths and weaknesses of the individuals so as to identify the training and development needs of the future.
- To provide feedback to the employees regarding their past performance.
- Provide information to assist in the other personal decisions in the organization.
- Provide clarity of the expectations and responsibilities of the functions to be performed by the employees.
- To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.
- To reduce the grievances of the employees.

3.3 METHODS OF PERFORMANCE APPRAISAL SYSTEM:

Numerous methods have been devised to measure the quantity and quality of performance appraisals. Each of the methods is effective for some purposes for some organizations only. None should be dismissed or accepted as appropriate except as they relate to the particular needs of the organization or an employee.

Broadly all methods of appraisals can be divided into two different categories.

- Past Oriented Methods
- Future Oriented Methods

Past Oriented Methods

1. **Rating Scales:** Rating scales consists of several numerical scales representing job related performance criterions such as dependability, initiative, output, attendance, attitude etc. Each scales ranges from excellent to poor. The total numerical scores are computed and final conclusions are derived. Advantages – Adaptability, easy to use, low cost, every type of job can be evaluated, large number of employees covered, no formal training required. Disadvantages – Rater's biases.

2. **Checklist:** Under this method, checklist of statements of traits of employee in the form of Yes or No based questions is prepared. Here the rater only does the reporting or checking and HR department does the actual evaluation. Advantages – economy, ease of administration, limited training required, standardization. Disadvantages – Raters biases, use of improper weighs by HR, does not allow rater to give relative ratings.

3. **Forced Choice Method:** The series of statements arranged in the blocks of two or more are given and the rater indicates which statement is true or false. The rater is forced to make a choice. HR department does actual assessment. Advantages – Absence of personal biases because of forced choice. Disadvantages – Statements may be wrongly framed.

4. **Forced Distribution Method:** here employees are clustered around a high point on a rating scale. Rater is compelled to distribute the employees on all points on the scale. It is assumed that the performance is conformed to normal distribution. Advantages – Eliminates Disadvantages – Assumption of normal distribution, unrealistic, errors of central tendency.

5. **Critical Incidents Method:** The approach is focused on certain critical behaviours of employee that makes all the difference in the performance. Supervisors as and when they occur record such incidents. Advantages – Evaluations are based on actual job behaviours, ratings are supported by descriptions, feedback is easy, reduces recency biases, chances of subordinate improvement are high. Disadvantages – Negative incidents can be prioritized, forgetting incidents, overly close supervision; feedback may be too much and may appear to be punishment.

6. **Behaviourally Anchored Rating Scales:** statements of effective and ineffective behaviours determine the points. They are said to be behaviourally anchored. The rater is supposed to say, which behaviour describes the employee performance. Advantages – helps overcome rating errors. Disadvantages – Suffers from distortions inherent in most rating techniques.

7. **Field Review Method:** This is an appraisal done by someone outside employees' own department usually from corporate or HR department. Advantages – Useful for managerial level promotions, when comparable information is needed, Disadvantages – Outsider is generally not familiar with employees work environment, Observation of actual behaviours not possible.

8. **Performance Tests & Observations:** This is based on the test of knowledge or skills. The tests may be written or an actual presentation of skills. Tests must be reliable and validated to be useful. Advantage – Tests may be apt to measure potential more than actual performance. Disadvantages – Tests may suffer if costs of test development or administration are high.

9. **Confidential Records:** Mostly used by government departments, however its application in industry is not ruled out. Here the report is given in the form of Annual Confidentiality Report (ACR) and may record ratings with respect to following items; attendance, self-expression, team

work, leadership, initiative, technical ability, reasoning ability, originality and resourcefulness etc. The system is highly secretive and confidential. Feedback to the assesses is given only in case of an adverse entry. Disadvantage is that it is highly subjective and ratings can be manipulated because the evaluations are linked to HR actions like promotions etc.

10. Essay Method: In this method the rater writes down the employee description in detail within a number of broad categories like, overall impression of performance, promote ability of employee, existing capabilities and qualifications of performing jobs, strengths and weaknesses and training needs of the employee. Advantage – It is extremely useful in filling information gaps about the employees that often occur in a better-structured checklist. Disadvantages – It is highly dependent upon the writing skills of rater and most of them are not good writers. They may get confused success depends on the memory power of raters.

11. Cost Accounting Method: Here performance is evaluated from the monetary returns yields to his or her organization. Cost to keep employee, and benefit the organization derives is ascertained. Hence it is more dependent upon cost and benefit analysis.

12. Comparative Evaluation Method (Ranking & Paired Comparisons): These are collection of different methods that compare performance with that of other co-workers. The usual techniques used may be ranking methods and paired comparison method.

- **Ranking Methods:** Superior ranks his worker based on merit, from best to worst. However how best and why best are not elaborated in this method. It is easy to administer and explanation.
- **Paired Comparison Methods:** In this method each employee is rated with another employee in the form of pairs. The number of comparisons may be calculated with the help of a formula as under.

$$N \times (N-1) / 2$$

Future Oriented Methods

1. **Management by Objectives:** It means management by objectives and the performance is rated against the achievement of objectives stated by the management. MBO process goes as under.

- Establish goals and desired outcomes for each subordinate
- Setting performance standards
- Comparison of actual goals with goals attained by the employee
- Establish new goals and new strategies for goals not achieved in previous

year. Advantage – It is more useful for managerial positions.

Disadvantages – Not applicable to all jobs, allocation of merit pay may result in setting short-term goals rather than important and long-term goals etc.

2. **Psychological Appraisals:** These appraisals are more directed to assess employee's potential for future performance rather than the past one. It is done in the form of in-depth interviews, psychological tests, and discussion with supervisors and review of other evaluations. It is more focused on employees emotional, intellectual, and motivational and other personal characteristics affecting his performance. This approach is slow and costly and may be useful for bright young members who may have considerable potential. However quality of these appraisals largely depends upon the skills of psychologists who perform the evaluation.

3. **Assessment Centers:** This technique was first developed in USA and UK in 1943. An assessment center is a central location where managers may come together to have their participation in job related exercises evaluated by trained observers. It is more focused on observation of behaviours across a series of select exercises or work samples. Assesses are requested to participate in in-basket exercises, work groups, computer simulations, role playing and other similar activities which require same attributes for successful performance in actual job. The characteristics assessed in assessment center can be assertiveness, persuasive ability, communicating ability, planning and organizational ability, self-confidence, resistance to stress,

energy level, decision making, sensitivity to feelings, administrative ability, creativity and mental alertness etc. Disadvantages – Costs of employees travelling and lodging, psychologists, ratings strongly influenced by assessee's inter-personal skills. Solid performers may feel suffocated in simulated situations. Those who are not selected for this also may get affected.

Advantages – well-conducted assessment center can achieve better forecasts of future performance and progress than other methods of appraisals. Also reliability, content validity and predictive ability are said to be high in assessment centers. The tests also make sure that the wrong people are not hired or promoted. Finally it clearly defines the criteria for selection and promotion.

4.360-Degree Feedback: It is a technique which is systematic collection of performance data on an individual group, derived from a number of stakeholders like immediate supervisors, team members, customers, peers and self. In fact anyone who has useful information on how an employee does a job may be one of the appraisers. This technique is highly useful in terms of broader perspective, greater self-development and multi-source feedback is useful. 360-degree appraisals are useful to measure inter-personal skills, customer satisfaction and team building skills. However on the negative side, receiving feedback from multiple sources can be intimidating, threatening etc. Multiple raters may be less adept at providing balanced and objective feedback.

3.4 APPRAISING PERFORMANCE: PROBLEMS & SOLUTIONS:

PROBLEMS:

1. Don't assess actual performance — most of the assessment that managers complete focuses on —the person, including characterizations of their personal —traits (i.e. commitment), knowledge (i.e. technical knowledge) or behaviors (i.e. attendance). While these factors may contribute to performance, they are not measures of actual output. If you want to assess the person, call it —person appraisal. Performance is output quality, volume, dollar value, and responsiveness.

2. Infrequent feedback — if the primary goal of the process is to identify and resolve performance issues, executing the process annually is silly. A quality assessment/control program anywhere else in the business would operate in real time. At the very minimum, formal feedback needs to be given quarterly, like the GE process.

3. Non-data-based assessment — most processes rely 100% on the memory of those completing the assessment because pre-populating the forms with data to inform decisions would be too difficult (cynicism). In addition, most assessment criteria are —fuzzy and subjective.

4. Lack of effectiveness metrics — many accept that the goals of the process are to recognize results, provide feedback to address weaknesses, determine training needs, and to identify poor performers. Unfortunately, rarely do process owners ever measure their processes' contribution to attaining any of these goals. Instead, the most common measure relating to performance appraisal is the percentage completed.

5. Lack of accountability — managers are not measured or held accountable for providing accurate feedback. While they may be chastised for completing them late, there is no penalty for doing a half-assed job or making mistakes on them, which is incredibly common. One firm attempting to remove a troublesome employee found that the manager had rated the individual the highest within the department and awarded them employee of the year.

Process related problems

6. Disconnected from rewards — in too many organizations, getting a merit raise, bonus, or promotion is completely disconnected from an employee's performance appraisal scores. When there is a weak link, employees and managers are not likely to take the process seriously.

7. No integration — the process is not fully integrated with compensation, performance management, development, or staffing (internal movement). A lack of integration and coordination leads to duplication and missed opportunity.

8. Individual scores exceed team performance — without controls, quite often the average score of team members exceeds the actual performance of the team (i.e. the team reached 80 percent of its goals but the average performance appraisal for its members was 95 percent).

9. Each year stands alone — each performance appraisal by definition covers a finite period of time. However, if the goal is to assess potential and identify patterns, an employee's performance must be assessed over multiple years.

10. No comprehensive team assessment — although individuals on the team are assessed, there is no simultaneous overall assessment of the team. Often contingent workers on the team are not addressed at all.

11. A focus on the squeaky wheel — most performance appraisal systems focus on weak performers. There is significantly less focus on top performers and thus there is no system to capture their best practices and then to share them with others.

12. Little legal support — performance appraisals may be an executive's worst enemy in grievances and legal proceedings. Even though the process may be flawless, poor execution by managers often results in performance appraisals that do not aid in a disciplinary action. Errors may include —unfettered discretion, improper handwritten notes, generalizations about race, gender, or age, and appraisals that do not match the performance data. At my university, a study demonstrated that while Asians got the highest performance score, they somehow managed to

get the lowest average pay raise. When the HR director was confronted, he was furious that anyone would calculate and expose the obvious discrimination.

13. No second review — even though the process may have impacts on salary, job security, and promotion, in many firms the assessment is done by a single manager. If there is a second review, it may be cursory, and therefore not ensure accuracy or fairness.

14. Not reliable or valid — most process managers do not regularly demonstrate with metrics that the process is consistently repeatable (reliable) and that it accurately assesses performance (valid).

15. Cross-comparisons are not required — one of the goals of the process is often to compare the performance of employees in the same job. Unfortunately, most appraisal processes (with the exception of forced ranking) do not require managers to do a side-by-side comparison, comparing each member of the team with one another.

16. Assessments are kept secret — although a salesperson's performance ranking may be posted on a wall, performance appraisals are often kept secret. An overemphasis on privacy concerns might allow managers to play favorites, to discriminate, and to be extremely subjective. Keeping ratings secret allows managers to avoid open conversations about equity.

17. Process manager is not powerful — often the process is managed by lower-level HR administrators without a complete understanding of performance and productivity.

18. No process goals — the overall process operates without clear and measurable goals, and as a result there is little focus.

19. Not global — most processes and forms are —headquarters centric, failing to address cultural, language, and legal differences.

20. Forced ranking issues — although forced ranking has some advantages, using it may result in significant morale and PR issues.

21. No ROI calculation — HR fails to do a periodic business case justifying the value added compared to the time and the cost of the process.

Instrument (form) problems

22. Doesn't address diversity — all too often, the same appraisal form is applied to a large but not homogeneous group of employees (i.e. all hourly, all exempts, all managers etc.). As a result, the assessment form does not fit the job. Only management-by-objective-type approaches address individual needs.

23. The process does not flex with the business – rarely does any portion of the appraisal process flex to address changing business objectives.

24. The factors are all equal — most forms treat all assessment factors as if they are of equal importance. Instead, they should be weighted based on their relative importance in a particular job (i.e. a janitor's customer service rating should be weighted lower than for a salesperson).

25. Inconsistent ratings on the same form — it is not uncommon for managers to put one level (high, average or low) of ratings in the Likert scale portion of the form, but another level of rating in the —overall assessment box. The final narrative portion of the assessment may contain still another completely different level of assessment.

26. Disconnected from job descriptions – in many cases, the factors on the form are completely different from the factors on an employee's job description, bonus criteria, or yearly goals. This can confuse employees and cause them to lose focus.

Manager/execution problems

27. Managers are not trained — in most organizations, managers are not trained on how to assess and give honest feedback. If the process includes a career development component, it is even more likely that managers will not know how to enhance the career path of their employees.

28. Managers are "chickens" — some managers will do almost anything to avoid tough decisions or confrontation. Some provide no differentiation and spread —peanut butter (an even

distribution) to avoid it, while others give everyone —above average— ratings. Some managers will provide feedback that is extremely vague in order not to offend anyone. Rarely if ever is anyone immediately terminated as a result of the process.

29. Gaming the system — often managers artificially rate individual employees to save money or to keep employees from becoming visible for promotion. Some selfishly give a score just below that required for a pay increase, while others give scores just above the point where they would be required to take disciplinary action.

30. Recency errors — managers, especially those who don't consult employee files and data, have a tendency to evaluate based primarily on events that occurred during the last few months (rather than over the entire year).

31. Corporate culture issues — subjective appraisals can restrict cultural change in organizations. In some organizations, there are cultural norms and values that influence performance appraisals. For example, in one organization new hires were automatically given an average rating for their first year, regardless of their actual performance. One top performing hire I knew abruptly quit after receiving this cultural gift.

32. Inconsistency across managers — some managers are naturally —easy raters— while others are not. As a result, employees working under easy managers have a better chance of promotion due to their higher scores. In firms that rely heavily on the narrative portion of the assessment, having a manager with poor writing skills may hamper an employee's career. Without —benchmark— numbers to set as a standard, inconsistency is guaranteed in large organizations.

33. Managers don't know the employee — managers of large and global organizations, as well as newly hired and —transferred in— managers may be forced to do appraisals on employees they barely know. Recently promoted managers may be forced to assess their former friends and colleagues. Following a merger, managers are likely to be confused about whether to focus on the whole year or just —post-merger— work.

34. Secret codes — I did some work with an army unit where by custom literally everyone got a perfect numerical score. So assessments by higher-ups were made as a result of interpreting

—code words in the small written narrative portion of the assessment. Unfortunately, if your commander didn't know the code words, your army career was limited.

35. Mirror assessments — most people, and managers are no exception, have a tendency to rate people like themselves more positively. This can result in discrimination issues.

36. Managers are not rewarded — managers that go out of their way to provide honest feedback and actually improve the performance of their workers are not rewarded or recognized.

37. Managers don't own it — managers often feel they don't own the process, so they invest little in it and proceed to blame HR for everything. Managers would embrace it instead of grumbling if they were presented with a positive correlation proving that managers who did excellent performance appraisals were among the highest performers with regards to business result and bonus awards.

Employee/subject problems

38. High anxiety — because the process is so subjective and no benchmark performance numbers are set in advance, uncertainty can cause many employees high levels of anxiety weeks before the process. Managers may also be anxious because of the uncertainty related to the employee's reaction. I know one employee who sincerely thought she was going to be fired prior to her assessment but ended up being the highest rated employee on the team. Employees should have an accurate idea of their assessment long before any meeting is scheduled.

39. One-way communication — some managers simply give the employee the form to quickly sign and they don't even solicit feedback. Many employees are intimidated by managers and the process, and as a result, they say nothing during or after the appraisal.

40. Self-assessment is not possible — if an ambitious employee wanted to self-assess their performance midstream (in order to improve), most processes do not provide access to the instrument. Providing each employee with a virtual assessment scoreboard and performance management process would be an ideal solution.

41. No alerts — most processes do not allow an employee to be notified midstream should their performance change to the point where it was suddenly dramatically below standards.

42. No choice of reviewers — although there are a few exceptions (Sun), in most cases, unlike with 360 reviews, employees are not allowed input into who does their assessment.

43. One-way process — in most cases, employees also have no input into the factors that they are assessed on, how often they are assessed, and what type of feedback they can receive. It is unfortunately even rare for a process manager to routinely survey their users for suggestions on how to improve it.

44. No appeal process — employees who disagree with her appraisal are seldom given the opportunity to challenge the results with a neutral party.

45. Retention issues — the ultimate cost of an —unfair assessment may be that it actually drives your top employees away because, for example, there was no differential in recognition and rewards for their superior performance.

46. Many possible emotional consequences — if performance appraisal is blotched, you can expect a decrease in employee engagement, trust, employer brand strength, teamwork, and innovation contribution. Employee referrals from disgruntled employees will probably also drop.

Timing issues

47. A time-consuming process — most of the forms are incredibly long and time-consuming. As a result, some managers routinely recycle —last year's evaluations. If HR is required to sit in on the sessions, the amount of wasted time increases significantly.

48. It is historical — the process is focused on capturing feedback about last year rather than on discussing necessary changes to job and skill requirements that must be necessitated by the business strategy.

49. Not coordinated with business cycles — some appraisal dates do not coincide with the end of major business periods or seasons when all other business results are tabulated and reported.

50. Not simultaneous — if appraisals are done on the employee's anniversary date, the entire team will not be assessed at the same time.

SOLUTIONS:

Firstly, companies should take all responsibility for the —system away from HR. They don't like the job any better than anyone else. Besides, they are too far removed from employee behavior to make effective decisions about individual performers.

Secondly, they need to assign the responsibility of helping a performer to improve to a person who works directly with such person, where they can see the person's behavior in all its accomplishments and failures, unfiltered by paper, rumor and sampling errors. If anyone ask any supervisor who their best performer is, s/he will not hesitate to give them a name. They know who that person is without looking up their history of performance appraisal ratings. If anyone ask them who the best person is for another job as in a promotion or transfer, supervisors will tell them.

Third, They can change the title of supervisor to Coach. The biggest need for all performers is to have someone who has the primary responsibility for helping them to improve or to help them maintain high and steady performance.

Fourth, companies need to hold supervisors accountable for the success of the people they recommend for promotion or reassignment. These supervisors will work with the person and their new bosses to identify behaviors that need to change and to positively reinforce good behavior or improvements. If a supervisor recommends people that don't succeed or who struggle in a new position, there is a clear accountability on the old supervisor. This can function as a feedback loop for improving the supervisor's skills in assessing employee's strengths and weaknesses.

Fifth, all supervisors will not automatically become coaches. Being a good coach requires, in my opinion, an ability to see small changes, the ability to apply effective reinforcement and the

ability to see behaviors that are interfering with improvement and those that produce improved performance. The technical term for that is shaping. A background for that skill is behavior analysis.

Since all supervisors won't qualify, Coach will be a higher pay grade as the benefit to the company will be much greater. A good coach will take data on performance as a tool to determine the strategy and activities that need improvement. The data will also be used to show the performer the kind of improvement s/he has made (a reinforcer to most people). This will be a working document and not a static piece of paper that is filed and seen only once by the performer. Coaching records will be the only documents needed to replace the dreaded appraisal.

3.5 RESPONSIBLE PERSON FOR PERFORMANCE APPRAISING:

Good information about performance is likely to come from all sorts of sources - line manager, supervisor, the employee, colleagues, production figures, etc. A really effective appraisal system will make use of as many of these information sources as is practicable.

The best source of information about employee performance may often be the employee. Obtaining information can be done jointly with the supervisor or manager in a formal or informal interview, or solely by the employee. It may be that people are not completely honest about their own performance, so managers tend to doubt employees' abilities to rate themselves. This may be reluctance by the manager to give up perceived authority, which carrying out an appraisal can bestow. Research seems to indicate that employees who self-appraise without input from managers do so accurately when pay is not linked to performance, and they are not asked to compare themselves with others.

The next source of performance information is peers. Peer appraisal is potentially more accurate in that they spend more time with the person being appraised than do managers. Relationships between peers, however, may mean that such information is not accurately presented. Peers may be afraid of 'grassing' on their fellow employees or - where relationships are poor - may give inaccurate information for reasons of their own.

Finally, where employees are in contact with customers and suppliers, good performance information may come from those individuals who are regularly dealt with. This may take the form of customer service enquiries or customer feedback documents.

CHAPTER 4

LEARNING PART

4.0 ANALYSIS:

4.1 PERFORMANCE APPRAISAL SYSTEM AT HENNES & MAURITZ AB (H&M):

The performance of each and every employee who is working at H&M AB is evaluated on the basis of a framework named —Competency Framework|. A **competency** is defined as a measurable pattern of knowledge, skills, abilities and behaviors that an employee needs to perform to work successfully. A competency is observable and measurable and that the competencies in the Framework are related to excellent performance, and list expected behavior per level.

Competencies for H&M production:

The competency framework is designed to enable the H&M leaders to develop their behaviors not only connected to their current level, but also those at previous levels!

It is the combination of H&M's seven values each values is shown with their elaborated sub groups. The Criteria of competency framework is given below:

1) **KEEP IT SIMPLE**

- Planning and Prioritizing
- Simplifying

2) **STRAIGHT FORWARD & OPEN MINDED**

- Communicating Effectively
- Giving and Receiving Feedback

3) **CONSTANT IMPROVEMENT**

- Thinking Analytically
- Being Creative and Innovative

4) **COST CONSCIOUS**

- Driving Cost Efficiency

5) **ENTREPRENEURIAL SPIRIT**

- Thinking Strategically
- Driving Business Results and Being Flexible

6) **WE ARE ONE TEAM**

- Developing Teamwork

7) **WE BELIEVE IN PEOPLE**

- Developing Oneself and Others
- Leading with Courage and Building Trust

Every new employee is also judged on the basis of these competencies on his/her probation period. It is conducted by their immediate manager/senior.

There is a structured form titled PDP (Performance Development Management) to evaluate each employee based on their performance and the criteria mentioned in the competency framework which is conducted by the closest Manager (Senior/Manager).

Each of the employees is marked based on their contribution to each criterion. They are:

- Exceeds Expectation
- Meets Expectation
- Partially Meets Expectation
- Doesn't Meet Expectation
- N/A

4.2 OBJECTIVES OF PERFORMANCE APPRAISAL AT H&M:

For H&M Performance Appraisal is a very essential part to recognize the talents and to bring out the development areas of the employees. They follow a very well structured formula to evaluate each employee by giving them the opportunity to know their strengths and weaknesses and the opportunity to grow as well. In this process the employees got to know where they stand and on the basis of this evaluation process they are able to find out whether they are eligible for a new role change or not. H&M doesn't use the term promotion when an employee achieves a higher position; rather they call it a role change. Here are the objectives of performance appraisal of Hennes & Mauritz is given below:

- 1) The purpose of this review is to have a dialogue on performance, goal achievements and improvement areas.
- 2) They also encourage giving feedback and comments on how the closest manager and colleagues can further support you as an existing or new employee.
- 3) This total evaluation process helps an employee to know where he/she stands in the organization and what are his/her strengths and weaknesses.
- 4) An employee is able to learn the development areas and improvement scopes to flourish him/her skills to cope up with the organization environment and values.
- 5) It helps to set strategic goals and accomplish them with the structured process.
- 6) It helps the managers to know the kind of trainings needed by the employees working under his/her supervision.
- 7) It helps the managers to know which employee should be given which responsibility based on their strengths.
- 8) As this Evaluation is done not only for the new employees but also for the existing employees, so every employee has to follow and practise the company's values each and every day. As a result, a satisfactory working environment exists.
- 9) Employees got to know their eligibility for growth or the next role change.
- 10) The purpose is also to practise and make the feedback culture a habit to help each other grow.

4.3 METHOD OF PERFORMANCE APPRAISAL AT H&M:

Hennes & Mauritz AB (H&M) doesn't follow the traditional methods of performance appraisal rather they have a different method of performance appraising system.

There is a structured form titled PDP (Performance & Development Plan) to evaluate each employee based on their performance and the criteria mentioned in the competency framework which is conducted by the closest Manager (Senior/Manager).

The PDP form consists of the seven values of H&M as I've already mentioned:

- **We believe in people**
- **We are one team**
- **Constant improvement**
- **Straight forward and open-minded**
- **Entrepreneurial spirit**
- **Keep it simple**
- **Cost conscious.**

In all they do, sustainability is a natural part

Each of the employees is marked based on their contribution to each criteria/value. They are:

- Exceeds Expectation
- Meets Expectation
- Partially Meets Expectation
- Doesn't Meet Expectation
- N/A

When an employee does more than what he/she was expected to do in any of the criteria, in that case he/she is given —Exceeds Expectation‖ for that particular criteria. If he/she was able to perform in any of the criteria exactly how he/she was expected, in that case —Meets Expectation‖ will be given. —Partially Meets Expectation‖ is given when the employee still

has some space to improve on a particular criteria. When an employee couldn't perform as per expectation, —Doesn't Meet Expectation is provided. The N/A scale is given when both the employee and the manager agrees that that particular goal is not valid anymore.

To improve an employee: PDP (Performance and Development Plan)



After the Trial review the following three steps are adopted:



Figure 4.3.A: PDP (Performance and Development Plan)

There are three steps in this process which is described as below:

1) Goal Setting:

- Minimum of 2 and a maximum of 5 goals
- A S.M.A.R.T. (Specific, Measurable, Achievable, Realistic and Timely) business goal.
- A skill that you'd like to develop / improve (ex: Adobe Captivate, a new tool or system)
- An employee goal that impacts both, business and the person (ex: command over a language, attention to detail)

- Outlining the expectation from a task or activity (ex: Liaise with Buying Office to set up a new innovation center with a minimum of 20 designs)
- Responsibility from the job description that needs to be strengthened

It is critical that goals are framed with details of action steps & the time frame they need to be achieved within.

2) Mid-Year Development Talk & PDP Plan:

- Prepare a pre-assessment before the actual discussion.
- Review set goals
- Provide feedback on progress so far, what works and doesn't, with examples
- Agree on a contribution level of the competency
- Document contributions and feedback provided to the person on the PDP form
- Career goals, key strengths and development areas and a development plan for employees is also discussed and documented on the form
- Take this opportunity to discuss how much support you require to develop skills

3) End of The Year PDP Talk:

- Prepare a pre-assessment document before the actual discussion
- Agree on the contribution / achievement / success of the set goals
- Follow up and together agree on contribution towards competencies

- Capture relevant, follow up feedback, between manager and employee
- Review and follow up on the development plan and capture any changes
- Document contributions and feedback provided, on the PDP Talk form
- Employees send in their PDPs to the HR team with the manager cc'd on the email.
- A signed hard copy of the form also need to be given to HR Team

The HR learning & development (L&D) team is responsible for arranging different types of training for the employees based on their needs. After the completion of the whole PDP form, the manager provides the form to the particular HR business partner responsible for each supply chain. The HR business partner evaluates the data and lists the name of employees for each training program and provides the information to the L&D team. There are a number of trainings available to initiate the employees' improvements.

Learning & development

Training Programs:



Figure 4.3.B: Training Programs

There is a learning portal available for each employee where every employee has individual accounts. They can also register themselves for any training they want to do. There is a good number of online trainings as well. Employees can do them sitting on their desk by logging in their account. All of the trainings they've done and want to do will be saved on their account.

GROW is our online site for learning and development. It is the channel we use for training for the H&M Group. It is accessible online and all employees get their own personal login. www.hm.com/grow

What an employee can do in GROW:

- Book seats for classroom courses
- Take e-learning courses from your workplace
- Find materials, videos and documents related to training
- View a list of all the trainings that you are booked on, or have already participated in.

YOU GROW WE GROW



4.4 PERFORMANCE APPRAISAL SYSTEM FOR DIFFERENT LEVELS OF MANAGEMENT AT H&M:

In H&M the different levels of management is not titled as „Top Level“ „Mid Level“ and „Low Level“ rather they have a different concept of management levels.

There are three different levels of management at Hennes & Mauritz:

- **Leading Myself:** Individual Contributor roles without any staff responsibility

- **Leading Others:** People/Operational Leader roles with formal or informal staff responsibility
- **Leading Organization:** Strategic Leader roles responsible for setting the strategic direction

The appraisal criteria for different management in different competencies are described below:

- **Leading Myself:** Individual Contributor roles without any staff responsibility

1) **KEEP IT SIMPLE**

- Planning and Prioritizing: Uses common sense to prioritize & execute tasks and activities in a timely manner.
- Simplifying: Questions complicated routines & procedures.

2) **STRAIGHT FORWARD & OPEN MINDED**

- Communicating Effectively:
 - a) Communicates in a clear and straight forward manner even when others disagree.
 - b) Listens carefully, secures own understanding and asks relevant questions.
 - c) Adapts communication styles to different receivers in order to inspire influence and motivate them.
- Giving and Receiving Feedback:
 - a) Provide constructive, beneficial and timely feedback to others.
 - b) Proactively seeks and accepts feedback from other.

3) **CONSTANT IMPROVEMENT**

- Thinking Analytically: Analyze situations, identifies and solves problems quickly by adopting structured hands on approach.
- Being Creative and Innovative:
 - a) Proactively seeks and utilizes new knowledge and information.
 - b) Constantly challenges oneself to generate new to improve performance without fear of falling.

4) **COST CONSCIOUS**

- Driving Cost Efficiency: Makes the best use of materials and resources without own control while creating results.

5) **ENTREPRENEURIAL SPIRIT**

- Thinking Strategically: Sees ‘_Big Picture’ and understands how own role contributes to achievement of organizational goals.
- Driving Business Results and Being Flexible:
 - a) focuses on achieving desired results with passion and high standards even under high pressure.
 - b) Adapts to and remain motivated in new, changing and challenging situations.

6) **WE ARE ONE TEAM**

- Developing Teamwork:
 - a) Builds good working relationships and actively collaborates with others based on a good understanding of what they do

b) Respects and values diversity of peoples' background, ideas and experiences.

7) WE BELIEVE IN PEOPLE

■ Developing oneself and others:

a) Understands own strengths and development areas.

b) Proactively identifies and uses opportunities to development own capability.

■ Leading with Courage and Building Trust:

a) Acts with courage and openly admits to and learns from mistakes and past experiences.

b) Acts without prestige and builds high levels of trust in relationships with other

- **Leading Others:** People/Operational Leader roles with formal or informal staff responsibility.

1) KEEP IT SIMPLE

■ Planning and Prioritizing: Use common sense to develop and implement effective plans for the team to achieve goals.

■ Simplifying: Simplifies routines and procedures.

2) STRAIGHT FORWARD & OPEN MINDED

■ Communicating Effectively:

a) Translates ideas into key messages that can easily be understood by others.

b) Uses active and empathic listening to understand, include and encourage others.

- Giving and Receiving Feedback: Creates feedback culture within the team by being a role model by encouraging them to be open and straight forward with themselves and others.

3) **CONSTANT IMPROVEMENT**

- Thinking Analytically: Helps team members anticipate and address challenges quickly after evaluating different alternatives.

- Being Creative and Innovative:

a) Shares new thinking and best practices with team and encourages them to use this information.

b) Encourages, evaluates and implements new ideas from the team to improve performance and expected outcomes.

4) **COST CONSCIOUS**

- Driving Cost Efficiency: Ensures optimal utilization of resources within and across teams to deliver customer value.

5) **ENTREPRENEURIAL SPIRIT**

- Thinking Strategically: Sets impactful goals for own team that is aligned with the strategic directions of the organization.

- Driving Business Results and Being Flexible:

a) Acts with —Own Company|| mindset to drive high performance and motivation within the team.

b) Adapts to and readjusts plans and priorities based on new, changing and challenging situations while supporting the team to stay positive and motivated.

6) WE ARE ONE TEAM

■ Developing Teamwork:

a) Unites team towards a common goal, effectively manages conflicts and actively cooperates others within and across teams, departments, functions and/or locations.

b) Encourages diversity of people, opinions and ways of working within and across teams.

7) WE BELIEVE IN PEOPLE:

■ Developing Oneself and Others: Identifies talent and proactively develops and engages others through effective delegation, coaching and other available means.

■ Leading with Courage and Building Trust:

a) Takes tough business and team decisions to achieve goals.

b) Acts without prestige and as a role model to create trust within and across teams.

People/ Operational leaders should perform both the —Leading Myself and —Leading Others responsibilities.

- **Leading Organization:** Strategic Leader roles responsible for setting the strategic direction.

1) KEEP IT SIMPLE

- Planning and Prioritizing: Use formulates integrated strategic plans and secures implementation.
- Simplifying: Streamline organization wide policies and processes.

2) STRAIGHT FORWARD & OPEN MINDED

- Communicating effectively: a) Communicates to inspire others and to energize efforts towards a common vision based on shared values.

b) Encourages and facilitates open communication across the organization.
- Giving and Receiving Feedback: Secures feedback culture across all parts of the organization by being by being a role model in continuously giving and seeking feedback.

3) CONSTANT IMPROVEMENT

- Thinking Analytically: Views situations from multiple strategic perspectives to generate long term solutions that strengthen current position.
- Being Creative and Innovative: a) encourages the creation, sharing and utilization of relevant knowledge and experiences throughout the organization to support achievement of the vision.

b) Selects and implements scalable ideas across the organization to achieve strategic goals.

4) COST CONSCIOUS

- Driving Cost Efficiency: Makes important trade off decisions to allocate resources across the organization in order to leverage synergies, economies of scale and to deliver customer value.

5) ENTREPRENEURIAL SPIRIT

- Thinking Strategically:

a) Sets the vision and strategic direction for the organization based on current business context and external market developments and trends.

b) Ensures organization wide alignments to the vision and strategy.

- Driving Business Results and Being Flexible:

a) Creates a high performance mindset by clearly communicating vision, strategic goals and expected results.

b) Provides the right environment for achieving the desired outcomes.

c) Quickly reviews and reassesses strategies and instills motivation across the organization in new, changing or challenging situations.

6) WE ARE ONE TEAM

- Developing Teamwork: a) Works flexibly across different businesses/ geographies to drive cooperation across the organization.

b) Promotes diversity to enhance business performance across the organization.

7) WE BELIEVE IN PEOPLE

- Developing Oneself and Others: Analyze capability gap from a business perspectives and makes investments to build a strong pipeline of successors across the organization.
- Leading with Courage and Building Trust: a) constantly questions and challenges the organization's comfort zone and takes tough business and organizational decisions to achieve the vision and the strategy.

b) Acts without prestige and as a role model to create trust across the organization.

Strategic leaders should perform the “Leading Myself”, “Leading others” and “Leading Organization” responsibilities.

CHAPTER 5

FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 FINDINGS:

Hennes & Mauritz AB (H&M) has a very well organized, unconventional and effective performance appraisal system. The criteria for appraising is followed and practiced in each and every step of H&M regardless of the management level.

Here are some of the important observations, which the researcher has founded in her research:

- 1) Goal setting is often one sided, and not given much time to be discussed elaborately in the beginning of the year.

- 2) The criteria that will be evaluated to analyze the performance are not clarified properly. So there is a possibility that employees will bring out different meaning of the criteria as everyone doesn't take things in the same way.

- 3) Both manager and employee take it as motive to tackle it later which never happens until mid-year PDP (Performance and development plan) talk. Eventually they (usually the follower) find a lot of things that needed attention before or feel that some of the goals are unrealistic. It results in disputes and reduces the effectiveness of PDP program.

- 4) The meet expectation/exceed expectations (Evaluation measurements) are also quite vague, because everyone has a different perception about them.

- 5) Sometimes the performance is between two contributory criteria. For example, in some cases the person ‘Meets expectation’ and in some cases the person ‘Partially meets expectation’. It creates disputes.
- 6) HM requires to record concrete evidence for each of the employees opinions on their goals and competencies. So it draws in another skill-how strongly they can record their evidences throughout the year in this busy schedule. Needless to say, not everyone is apt on that. So they may have numerous unrecorded good examples but can't draw the benefit just because they could not record those incidents.
- 7) Not every manager/ supervisor takes the PDP talk seriously as they have their other tasks to do so some of them just complete it as a formality.
- 8) Some performers do not take the goal setting thing seriously. Where they are supposed to set 5-7 smart and different goals in a year, it sometimes seems that they just write down the goals from the previous years to just complete the PDP form.
- 9) Managers set some pre-determined perception before PDP talk and it influence the judgment even after clarification.
- 10) Even if the person obtains a good result in PDP talk, in case of role changes he/she has to go through a pre-determined evaluation process as like external candidates.

11) While PDP is designed for planning employee growth, it has mixed reaction from employee perspectives. Not everyone believes that they are getting what they are expected from the PDP. But management is doing different things to ensure its expected outcome.

5.2 RECOMMENDATIONS:

On the basis of this study and working experience with Hennes & Maurits AB (H&M), the researcher has concluded some recommendation to minimize the gap between expectations and performance.

- 1) Each of the employees should be given enough time to think on their goals. It should not be one sided rather the goals should be implemented by the employees' complete freedom. The managers can play as a guide only.
- 2) There can be a session at the beginning of each year where each supply chain will get the elaborated meaning of each criterion and their sub criteria. It will reduce confusion and will bring out more effective result.
- 3) As like the importance of day to day work, the importance of PDP should also be realized and practiced accordingly. The employees should take their set goals seriously and work on it from the beginning. Besides, they should consider the possibility of making accomplished their goals before setting them. Goals should be big but not unrealistic.
- 4) A percentage on performance can also be added along with the contribution criteria to make it clearer.
- 5) Each management level should keep reference and notes on the activities they perform relevant to their evaluation. It will be easier for them to recall during PDP talk.

- 6) Managers can be provided with PDP talk trainings to let them perform smooth and effective PDP talk.

- 7) A goal set once in a year should not be allowed to set again on the next year. Or there can be rules like more than one goal can't be repeated, because if more than one goal is repeated it means that the goal accomplishment was not taken seriously.

- 8) PDP talk can have some influence on role change. Internal candidates must have some priority over external candidates as they know much more than the externals. However, whatever it is, the best candidate should get the opportunity.

- 9) A declared reward system can be implemented to encourage the employees to achieve their goals.

5.3 CONCLUSION:

H&M is a complete value-driven company. Its values reflect the heart and soul of H&M. They define what it takes to work here and how they do things. When they interact with colleagues and customers around the world, their values help them to develop and grow. Individually these values may seem obvious, but together they form a culture that is unique and different from many other companies. It is their values on the basis of which H&M designed their competency framework and judge the performance of its different levels of management.

Undoubtedly H&M is one of the largest fashion brands worldwide. With big power comes big responsibility. Just like all other corporations H&M do have some weakness in their performance appraisal system. Even though those are small, however there is no way to overlook a simple fraction of problem. In this report, the researcher tried to identify the gaps in H&M's performance appraisal system and also at end comprise some suggestions to minimize the gaps.

As H&M believes in their people and they also believe that it is their people who can take them to the peak of success which they desire of achieving, it needs to focus more on employee development. Their performance appraisal system is designed in such a manner to bring out the employees who have potential and also find out their lacking so that they can work on that through different types of trainings. If they want a smoother operation and overcome the gaps in their system they can implement the recommended ideas. Higher employee satisfaction and improvement will definitely result in higher growth of the organization.

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