Performance Appraisal -guide for an Indian non-profit organization

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This product-based thesis was commissioned by an Indian non-profit organization Atma that aims to improve educational circumstances of unprivileged children and young adults in Mumbai. Atma benefits annually of several volunteers coming from all over the world. These volunteers are basically educated young people, students and recent graduates.

The project objective was to design a simple Performance Appraisal –guide that would help Atma's volunteering workers in establishing performance appraisal systems in the local partner organizations. These organizations will need Atma's help in several business areas, such as HR related tasks.

The project was conducted with a help of a qualitative study and with primary and seconday data collection methods. The primary source was the interviews with the commissioning company's representatives and the secondary source was the literary review that gives a basis for the theoretical framework.

The result of the thesis is a step-by-step Performance Appraisal –guide. As the guide was supposed to be simple but performance management and other key concepts of the thesis are broad as topics, critical choises have been done during the product creation process and while considering the necessary elements of the product.

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1 Introduction

Human resources management is a natural part of companies' strategies in the current global work environment. Performance management and appraisal systems have been established in most industries from MNEs to SMEs during the past 10 years. Nevertheless, in developing economies these systems do not work as properly as they could or in the worst cases, are not known at all (Gallup Business Journal 2012, Curran, 2002, 1).

This thesis is commissioned by non-profit organization Atma, which operates in India and aims to offer quality education for unprivileged children in Mumbai. Atma benefits annually from help of educated volunteers (such as students or recent graduates) from all over the world. They all share the same mission: develop the educational circumstances in Mumbai. These volunteers cooperate with Atma's local partner organizations that are eager in learning but lack practical experience in doing. To make the volunteers' and partner organizations' cooperation smoother and more effective, Atma has asked Haaga-Helia students for help.

Behind this thesis is a combination of Human Resources Management in Global Business as specialization studies and the actual need from the case organization. As a result, a simple and clear Performance Appraisal –guide was created. The case company aims to use this booklet to help their volunteers in their daily work with the commissioning company's local partner organizations. The thesis will describe in detail the background for the study, the theoretical framework behind the decisions, the planning and implementing processes and finally the actual product.

1.1 Background for the study

India is the world's second-most populous country with 1,236,686,732 people (2012) and on a lower middle income level (The World Bank.2014). Most of the population lives on the countryside and 32.7% of the total live below the poverty line, which

means less than $1.25 per day (Ministry of Foreign Affairs of Finland 2014). The population growth is very high and during the recent years it has been even faster than in China (World Population Statistics 2013). According to UNESCO's Education for All Global Monitoring report (EFA Global Monitoring Report 2014, 10) India has the world's highest population of illiterate adults: 287 million people, which means approximately 37% of the total. The report also reveals that only 1.4% of humanitarian aid goes to educational targets (EFA Global Monitoring Report 2014, 14). In the report "Maharashtra kids' ability to read & learn poor" (The Times of India 2014), Shereya Bhandary claims that in Mumbai, the capital of Maharashtra, only 59,5% of the class V students were able to read the class II textbook. In 2010 the same figure was 73.2%, which means that illiteracy has increased enormously in the past 4 years. According to Atma (2013), 45-50% of children in the government schools are not able to read or write a paragraph.

Finnish researcher Merja Säävälä from the Family Federation of Finland argues that it is an incontrovertible fact that without educated women India will not develop socially or economically (HS 2013). Nevertheless, the lack of money, lack of quality schools and educated teachers, India's extremely poor women's situation and school being not compulsory for everyone – these facts won't help the situation get better. Reflecting to the current political, environmental and social circumstances in Mumbai and in the whole India, there is a strong need for non-governmental involvement in trying to ensure quality education for all children (Atma 2014). In improving these organizations' employees' engagement in producing educational activities, motivation and rewarding play remarkable roles.

1.2 The commissioning company

Atma is a non-profit organization (NGO) founded in 2007 as a Charitable Trust to improve educational conditions of unprivileged children and young adults in Mumbai, India. The company's business idea is to form partnerships with local high-potential non-profit organizations that need strengthening in educational activities. Each partnership is a three phase process, in which Atma's role is to plan and implement sustainable growth plans using tools such as consultancy, training and offering skilled volunteers.

Atma's vision is simple: to ensure quality education for all children. Consultancy is the heart of Atma's service offering: their representative arranges weekly meetings with the partner organizations and offer hands-on and intensive support. This gives the partners the possibility to set goals, achieve them and create long-term strategies. The volunteers are mostly skilled students or graduates from all over the world. As a non-profit organization Atma offers several possibilities for the volunteers to participate in: designing websites, writing manuals, planning campaigns, etc. Atma also offers training and workshops to its partners according to their individual needs. The aim of these workshops is to strengthen the skills and know-how of the management and employees (Atma, 2013).

1.3 Project objectives and benefits for the commissioning company

The project objective of this product-based thesis is to create a Performance Appraisal -guide. The purpose is to help Atma's volunteers in creating and launching an appraisal system in any of its small non-profit partner organizations. The employees in these local partner organizations may not have higher education and they usually have no previous experience in rewarding, appraisal systems or measuring performance. According to Atma's volunteer Rui Huang (Atma 2014), the local workers are highly motivated but are not used to an open discussion with their bosses. These small Indian organizations suffer from hierarchy, lack of resources and time. This is why Atma needs a very basic manual that will help to create and implement a simple performance management system. The aim is to build a guide that will explain the system and the core definitions briefly. The booklet has to be as simple and universal as possible and should be adaptable to any of Atma's partner organizations.

The Performance Appraisal -guide will help Atma's employees a lot: the volunteers that may spend only short periods of time in Mumbai will get a useful tool in helping the partner organizations to improve their organizational performance. In this way they will also be able to get more motivated people, right people to right places and result in improved performance. Every volunteer, intern or employee will get personal benefit by having a well-planned and useful tool in their everyday work with Atma's partners. On the other hand, the employees of the partner organizations will get a clearer picture

of their daily, monthly an annual tasks, their skills and goals. By having an opportunity to open communication, guidance and feedback the employees' motivation is likely to increase. Carolyn J. Curran (2002, 4) puts it this way: "The public whom we serve will logically benefit much more from a motivated, challenged and fulfilled group of people who care about them, as well as caring about themselves and each other." The final beneficiaries of the organizations' better performance will be the unprivileged children and young adults of Mumbai.

1.4   Project tasks and report structure

To accomplish the project objective, the following project tasks need to be completed:

1) Understanding the background and the need for the product in the commissioning company.
2) Literary review.
3) Planning the product by reflecting with a theoretical framework.
4) Application of theory into the latter: writing a draft and getting feedback on draft from the commissioning company.
5) Implementing the final guide.
6) Evaluation of the product and process.

The result of this product-oriented thesis is a Performance Appraisal –guide that has been created by researching relevant theory and non-fiction as well as interviewing the case company's employees. The thesis report consists of four main parts: introduction, theoretical framework, description of the product development process and the discussion. In addition, the actual product has been added as an attachment.

1.5   Key concepts

This sub-chapter will briefly introduce the four main key concepts that have been selected to support the developing process of the thesis product. The first three concepts focus on the facts that effect on the actual content of the product. The last concept,

non-profit organization, will open the nature of an organization that aims to create something else than profit.

Performance management (PM) and performance appraisal (PA)

Performance management is a process that consists of several smaller and/or periodic activities, such as defining employee's job, objective and goal setting, appraisal discussions and evaluation on how well the employee has performed (Rao, 2011, 13; Davis&Shannon 2011, 233). According to Armstrong&Murlis (2007, 318) PM starts with good planning and continues with coaching, performance tracking, review, evaluation and rewarding. The process aims to increase open communication between management and employees, give and get feedback, create positive work environment and in this way finally improve the organization's annual results.

Performance Appraisal is a term that refers to performance management used by the case company. This is the reason for the thesis title. The theory part of this thesis will introduce performance management but later on when discussing the product, also performance appraisal will be used. Also abbreviations PM and PA will be used.

Appraisal meetings

Appraisal meetings usually take place once or twice a year. They are a part of performance management and aim to make the PM system more effective and more productive (Rao 2011, 13). According to Forsyth (2006, 108) they act to review the past year, plan the next year, formalize training and development plans, spark ideas and encourage to long-term career development. The management will never get to know what their employees think and feel, if they never meet them (Forsyth 2006, 65).

Non-profit organization and NGO

Non-profit organization is an organization that "exists for educational or charitable reasons, and from which its shareholders or trustees do not benefit financially." (InvestorWords 2014) NGO stands for non-governmental organization that is independent from government control, not seeking to challenge governments either as a political party or by a narrow focus on human rights, non-profit-making and non-criminal

(Willetts 2006). These key concepts will not be included in the actual product but need to be clarified in the thesis key concept part. When planning a performance management system in an organization it makes quite a big difference if the company's goal is to make profit or if it is based on other values.

1.6 Demarcation

The scope of the thesis includes only one project objective, which is the Performance Appraisal –guide to a small Indian non-profit organization. Even if the actual thesis product will be quite simple, it requires full understanding of performance management systems and appraisals in general. As the topic has been given by the case company and a handbook can only cover one topic at a time, this booklet is enough and at the same time not too wide as a topic.

Atma India is a non-profit organization lead by an international team. Also the other employees, interns and volunteers come from Mumbai, other parts of India and all over the world. The thing in common for these people is the fact that they want to improve the conditions of unprivileged children in Mumbai. Their everyday working language is English. The thesis theory part introduces performance management principles mostly from the Western point of view but discusses the challenges in non-profit organizations that often operate in the developing countries, and in this case, India. One of the theory sources is written by an Indian professor Dr. T.V. Rao to find the balance between these two different societies. This fulfills the international aspect of GloBBA thesis criteria.

2 Performance Management (PM)

The concept of Performance Management has been investigated and defined through the years and still there are several approaches to the topic. This chapter will introduce and discuss Performance Management as it is, why it is used and how it has been implemented. In this chapter, an abbreviation PM is used to refer to Performance Management.

2.1 Defining Performance Management

According to Rao (2011, 5), performance is what is expected to be delivered by an individual or a group of individuals within a certain, agreed time frame. Performance Management therefore is a continuous and dynamic process that consists of several smaller and/or periodic activities, such as defining employee's job, objective and goal setting, appraisal discussions and evaluation on how well the employee has performed (Rao, 2011, 13; Davis&Shannon 2011, 233). PM is engaging the employees in their work better by clarifying their daily tasks, setting personal objectives that describe in detail what the employee will focus on (Davis&Shannon 2011, 233), giving and getting feedback and offering a possibility to an open conversation. PM at its best should create positive environment that would allow employees to grow high performers of their daily work.

PM often aims to improve organization's result by setting goals and then measuring employees' success in e.g. customer numbers, financial or production targets, completion of tasks to meet deadlines, etc. (Rao 2011, 5). Curran (2002, 4) reminds that in non-profit organizations there is also another determinant than money - the mission. Curran uses a very good example of a boat and paddlers, who can either paddle all in the same direction or then everyone can paddle individually to totally different directions. "Paddling in the same direction is Performance Management in action." (Curran 2002, 4.)

As some people believe that happy children learn faster than unhappy kids (Unicef 2003), there is also evidence that motivated employees perform better than unmotivated ones (Forsyth 2006, 1). Forsyth emphasizes that today's employees are more demanding of their management than in the past. People want to know what is happening in their organization, they want to participate and to be consulted. He claims that when this happens, people also perform better (Forsyth 2006, 2). Davis&Shannon (2011, 233) agree: Performance management aims to improve the results of an organization (Curran, 2002), which of course is very important. But as valuable as the result, are also the means: "Successful team not only gets the job done, whatever that is, but reflects well on whoever manages them also." (Forsyth 2006, 2.)

2.2 Elements of performance management

With the help of Armstrong&Murlis (2007, 318-319) this subchapter will introduce the process for planning and implementing a performance management system. The process consists of four parts that are described below. Subchapter 2.4 will introduce the practical annual activities that support this process more in detail.

Planning

The whole PM process starts with careful planning and answering questions like "are the business goals clear and understood by everyone?" "Are individual goals and competency frameworks clearly linked to the business goals?" After that there should be a joint agreement on what should be delivered, when and how. Armstrong&Murlis (2007, 318) argue that when planning is done through a two-way discussion the results of the whole PM process will be open, more effective, better quality and realistic.

Coaching and tracking performance

Usually the PM process life cycle is one year. The planning and set up starts the process and after that the performance occurring during the agreed time period should be tracked. Quality feedback from managers and other stakeholders is an important part of the evaluation and it is valuable to have it in written. The management should also understand the importance of possible coaching in case of underperforming. In this part it will also come clear if the focus is on long-term personal development, longer-term business delivery or short-term business compulsions (Armstrong&Murlis 2007, 318).

Review

It is preferable to have a review meeting for self-assessment more than once a year (e.g. twice). The meeting should be arranged with adequate time and privacy, promote open discussion, agreement on outcomes and future plans. Possible under-performance should be handled appropriately and fairly (Armstrong&Murlis 2007, 319).

Reward and recognition

The goal of the whole PM process culminates here. As the aim is to make the business better or even pursue high performance, there are several ways of rewarding people for great performance. Global for-profit enterprises use specific performance points –systems that track people on the Gaussian curve and show their value this way. In a small non-profit organization the rewarding has to be designed differently and the rewards may be non-financial. According to Thompson (2014), the non-financial rewards may be even more considerable than the traditional bonuses because organizations that have very good non-financial incentive plans can attract and motivate talented people more than the ones that only concentrate in good salaries. It is still important to make sure all the employees feel well rewarded and that there are clear guidelines of rewarding practices (Armstrong&Murlis 2007, 319.)

2.3 Performance management process

The reason for introducing a simple and practical system is that the target organizations are small and they benefit from a straightforward system the most as it is easy to use for both the managers and the employees. Simple or complex, there are three rules that apply:

1) Usually the performance management process life cycle is one calendar/fiscal year (Davis&Shannon 2011, 241).
2) Managers and employees need to meet 1-2 times during this life cycle (Forsyth 2006, 65) and
3) All of the PM process activities such as interviews, feedback, evaluation and action plans should be tracked by using specific performance appraisal forms and/or documentation (Perkins&White 2011, 179).

Figure 1 (in subchapter 2.3.2) images annual activities that form the framework and timeline of a simple performance management process.

2.3.1 Overview of annual performance management activities

As it was stated already by Rao (2011, 5) a certain time frame is needed when defining and measuring performance. Usually this time frame is one year – depending on the organization's priorities. Davis&Shannon (2011, 242) present an example of annual steps that help to understand the PM system. In their example the PM year starts and ends in July/August, which might be a natural choice for some companies operating in the Western countries: new activities are easy to start in autumn and it is good to get back and summarize the previous year's activities after a relaxing summer vacation. Some organizations might want to start in the beginning of the year (January) or combine performance to the financial year, which varies in organizations. In India the general financial year starts in April. (IndexMundi 2014) Nevertheless, it is the organization's option to decide, which time period suites their occasion, activities and goals the best.
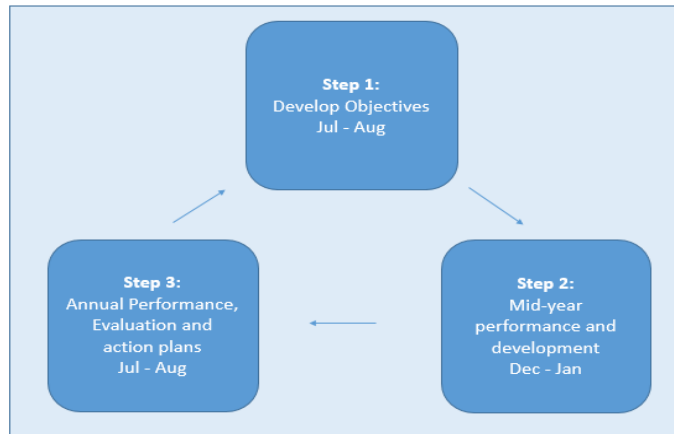
Figure 1: A simple performance management diagram (Davis&Shannon 2011, 242).

Step 1: Develop objectives

According to Davis&Shannon (2011, 237), the whole PM process starts with a performance planning meeting and careful goal-setting process that is agreed by both the manager and the employee (Perkins&White 2011, 179). It is also important to make sure that both the managers and employees understand the company vision, objectives and possible team goals. After this is clear, the employee's objectives should be developed towards two different categories: performance and development goals. Performance goals are the ones that an employee will concentrate in his/her job during the current year. Development goals answer to a question how the employee will improve his/her existing skills during this time period. Also Armstrong&Murlis (2007, 318) emphasized that the first thing to take care of is that the individual objectives and competency frameworks should be clearly in line with the organization's business strategy.

Step 2: Mid-year performance and development

When the goals and objectives have been clarified and the work according to them started, it is time for a mid-year review. This meeting aims to check if the employee has managed to start striving towards the goals agreed a few months ago. I so, the summary of the activities done and upcoming tasks/projects should be tracked. This is also a great opportunity to open discussion, communication and informal feedback (Perkins&White 2011, 179). If any changes of plans, difficulties or misunderstandings have occurred, there is still time to correct them for example by arranging training or decreasing workload as there is still time left before the actual appraisal meeting.

Step 3: Annual performance, evaluation and action plans

The third step is the most concrete part of the PM process, especially from the employee's point of view. Usually, before the actual meeting, the employee fills in a self-assessment form that focuses on questions like "has the year been successful/satisfactory/non-satisfactory for you, and how?", "what are your most remarkable achievements from the past year?" and "which tasks did you find the most difficult/most motivating?" (Docstock 2014.) Based on the employee's answers, the meeting can start.

Manager's part in this annual performance meeting is more responsible. According to Forsyth (2006, 112-113) it starts with a careful preparation that consists of at least the following tasks:

1) Think of any possible development ideas and/or future involvements for the employee beforehand.
2) Arrange enough time and a place where a confidential discussion can occur without interruptions.
3) Use correct documentation (performance appraisal form) to ensure a logical order of the review.
4) Be a good listener and let the employee do most of the talking.
5) Concentrate on performance factors rather than employee's personality issues.
6) Make sure that both the employee's strengths and development areas are discussed in balance.

7) Evaluate the employee by describing concrete examples, try to find pros and cons and give feedback with constructive spirit.

8) Double-check the agreed, further action plans (who is going to do what and when) so that they are clear for both parties and no misunderstandings will occur.

If well conducted, PM with appraisal discussions should be an effective tool and lead to increased performance and motivation (Forsyth 2006, 113; Rao 2011, 13).

2.3.2 Appraisal meetings

Where performance management is a continuous process, appraisals are periodic activities (Rao 2011, 5). Organizations may name these confidential meetings between employer and employee differently: they can be called e.g. appraisal discussions, development updates or success meetings (Hyppänen 2014). Recently the appraisal meetings have received criticism for being waste of time, mechanical annual accomplishments, one-sided and authoritative (Hyppänen 2014; Mustaranta 2014). Forsyth (2006, 108) recognizes the same threats but sees well conducted appraisal meetings as a significant opportunity: The idea of appraisal meetings is to review the past year, plan the coming year, consider possible training and development ideas and in this way strive towards long-term career development.

Today the development discussions intertwine around appraisal and evaluation, which usually means critical assessment and feedback. After the past year's evaluation it is time for the next year's goals. Reflecting to this, Hyppänen (2014) suggests that instead of this, managers could focus on finding meaningful objectives. She claims that the better the employee's personal interests meet the organization's goals, the more likely they turn into reality. The appraisal meetings could concentrate in factors that lead to success: how to reach one's goals successfully? How to prioritize? Also Forsyth (2006, 109) emphasizes that the employees should find the meetings "motivational, interesting and constructive". The model that Hyppänen suggests would help both the manager and the employee not only enjoy the appraisal meetings but also move towards better results of the organization.

One part of appraisal discussions consists of competences and development. Forsyth (2006, 110-111) mentions the following competences that can build the basis for appraisal: leadership, relationships, communications, problem solving, data handling, making decisions, creativity, etc. This part is meant to create a genuine discussion about strengthening the employee's skills, possible wishes and opportunities related to one's career path (Hyppänen, 2014). Mustaranta (2014) also reminds that even if no development ideas or remedies were found, the discussion might still be important. The most valuable thing is that the manager has time to listen to the employee.

To result in a logical appraisal review, managers need to use well-planned appraisal documentation (Forsyth 2006, 113). These special documents consist of at least the employee's self-assessment form and performance appraisal report (Docstock 2014).

2.4 Challenges of the PM at non-profits

Curran (2002) describes the colourful reality of performance management in non-profit organizations. She claims that lack of time leads to the fact that managers are so focused on their work that they forget to think of effective improvement plans for their organization. Because of this, many non-profit organizations have decided not to adopt any PM systems at all because they are afraid that those only slow down the organization's work and create negative spirit. She also warns about the danger to base the organization's performance only on funder requirements. As an example she mentions job descriptions that in some cases have been created to attract funds, but later on forgot after the funding has been received (Curran 2012, 9).

Curran (2012, 5-6) claims that the best way to help non-profit employees to perform better is to decrease old procedures and improve work climate, systems and processes. Organizations should find a balance between individual responsibility and performance measurement by engaging individual's daily work to mission and vision (company objectives), investing time and resources in developing the employees' skills and competences as they are the most valuable asset of non-profit organizations.

According to Basu (IJRMEC 2012, 320), as the non-profit organization objectives are often such as improving literacy levels, women empowerment, child education and protecting biodiversity, it is difficult to get specific results of the organizations' and/or employees' performance. According to her research (IJRMEC 2012, 321), the most difficult problem is that there are no empirical results from the non-profit deliverables received by the end-users or beneficiary groups. To increase sustainable development and motivate people, she suggests the following: simple management techniques like communication, quality management, process improvement and transparent PM systems (IJRMEC 2012, 322).

During the past decades, non-profit sector has been in pressure to increase accountability. The more accountable the organization, the better it attracts donors, banks and boards of directors (Buckmeister 1999, 187). But if the organization is small, under ten employees that have no previous education, it is difficult to try to put stress on complex strategic planning and performance measurement. Therefore the product of this thesis has been planned by taking these challenges into account.

2.5 Key elements to make performance management successful

The figure below sums up the key elements needed to make the performance management process successful. Especially small organizations may suffer from lack of time, which easily leads to the fact that PM is not prioritized. However, time is needed to make the long-term process successful. Objective and informative data and clear guidelines make the process smooth. This keeps the process on staying on-going and in-depth. The employees need to understand that all the discussions, feedback and plans are confidential throughout the process. Sharing the final results of performance appraisals anonymously with the whole organization increases transparency, which in return increases trust. Even if the process aims to be educative for all parties, it should maintain mutual respect, be independent from disciplinary aspects and concentrate on professional factors (Forsyth 2006, 112).
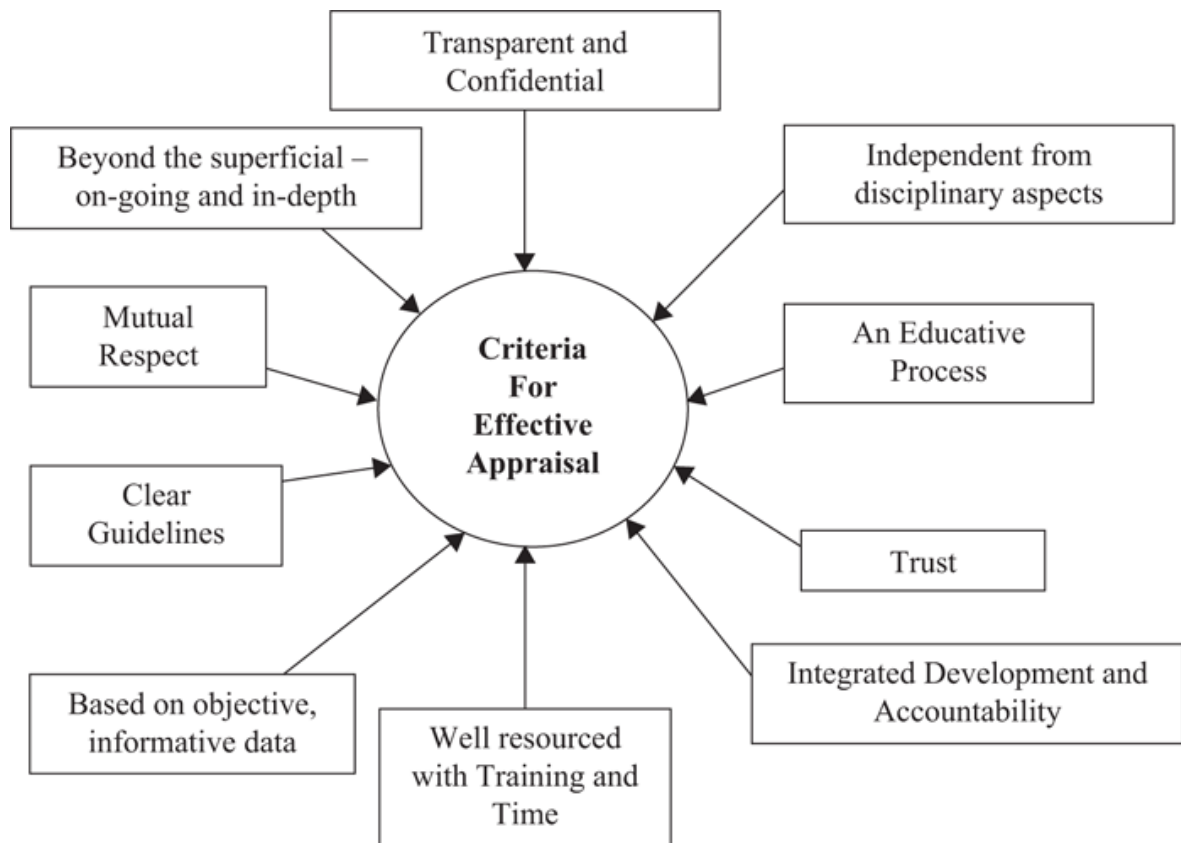
Source: Piggot-Irvine (2003)

Figure 2: Criteria for Effective Appraisal (Appelbaum, Roy & Gilliland 2011, 570).

3   Planning and implementing the Performance Appraisal – guide

This chapter aims to give a comprehensive description of the planning and implementation process of the thesis product. At this point it is notable, that performance management may be called and implemented differently in organizations. The theory part in chapter 2 has handled the topic as "performance management" whereas the case company is more used to call the same process as "performance appraisals". This is why both terms have been used in the thesis, depending on the context.

3.1   The decisions behind the product

The baseline for the thesis was the commissioning company's need for the product. So it was the most important thing to hear, what Atma is really looking for, what kind of issues the organization prioritizes, what are their previous experiences and is there any material that has been used for the same purposes before. It became clear from the beginning to conduct a qualitative study with sufficient number of interviews. These decisions and processes have been described in the following subchapters.

3.1.1   Qualitative study

Qualitative study can be conducted in several ways. In a qualitative research the research plan may live and change according to the actual research project (Eskola&Suoranta 2003, 15) and so it has been in this thesis project as well. It was clear from the beginning that it would be necessary to conduct at least 1-2 question-answer interviews to understand the organization's needs. As the commissioning company operates in another country and continent, it was also important to get information on the local conditions to fully understand the reasons behind their expectations and previous experiences from PM processes. The interviews were arranged via Skype. The interview questions were sent to the interviewees beforehand but they also had the possibility to give additional comments if needed. The interviews were planned and implemented according to Eskola&Suoranta (2003, 85), who put stress on 1) planning the interview beforehand, 2) interview led by the interviewer, 3) interviewer maintains the discussion,

4) interviewer knows his/her role and interviewee learns to know it and 5) letting the interviewee understand that all discussions and materials will be handled confidentially. The interview process is further described in the following subchapter.

3.1.2 The interviewing process

The interviews were planned to occur as follows: first interview in January 2014 with Atma's current volunteer, Rui Huang, in the early planning of the product. She has worked in one of Atma's partner organizations and taken care of appraisal related tasks, such as creating supporting documents. The idea of the first interview was to get background information on the current needs, challenges, experiences, knowledge and resources. Before the interview, the interviewee sent Atma's Performance Appraisal Blueprint to help to understand what the current process looks like. Based on that and other background literary reviewed, the interview questions were created. The interview questions were sent to the interviewee a few days before the Skype session. The interview was recorded by taking written notes. The first interview was planned to last approximately 30-45 minutes and it actually took 35 min.

The second interview occurred in April with Atma's Portfolio Manager Nadine Jaeggi. The actual thesis process was already about to end and the purpose of this second interview was to ensure decisions done were in line with the case company's wishes and expectations. It was necessary to hear the Portfolio Manager's visions on what the product should include. Another aim was to hear if there had been any relevant news or changes in processes during the past two months. The interview topic, questions and the product structure draft were also sent beforehand to the interviewee. This second interview was also planned to last for 30-45 minutes via Skype and was recorded via an iPhone recorder.

3.1.3 Key findings from the interviews

Both of the two interviews gave a lot of useful background information to understand Atma's work environment even better. Also practical information and wishes concerning the product were brought up. This subchapter presents the most important findings from the two interviews.

The first interview topics were divided into four categories: general background, partner organizations, the process itself and local challenges of appraisal systems. According to the interview, the general attitudes towards appraisal systems were positive, but the employees in this particular partner organization did not have very much experience in them.

> "They want to have it, but they have not knowledge how it works." (Rui Huang 27.1.2014)

Prejudices were not mentioned at all but the employees expected an appraisal system to be an effective communication tool that would give a chance to talk with their managers. This partner organization also does have an evaluation form, but it has not been used for actual evaluation. Incentives that seem to motivate the employees who may have several years' experience from N GOs, are e.g. the feeling that they are really helping and doing something good and improving interpersonal relationships. People have a personal interest towards NGOs, they are interested in improving their networks and cultural awareness. Training and personal salary are also motivational factors among the employees. On the contrary, the current general communication between managers and employees is not open:

> "No. Hierarchical. It is difficult to change but we can try to improve it." (Rui Huang 27.1.2014)

According to the interview, the most difficult challenges for Atma are the lack of time to implement an appraisal system, lack of energy and lack of sources. Partner organizations problems therefore are unprofessional people and hierarchy.

The second interview with Atma's Portfolio Manager was divided in the following topic areas: Purpose of Performance Appraisals, Successes, Failures, Challenges, Training, Timeline and the Performance Appraisal –guide. The purpose of the performance appraisal process was seen as a tool that improves employee's performance and (personal and professional) learning, creates higher accountability, allows more focus (alignment of personal goals with organization goals) and reinforcement of organization's values. The interviewee felt that motivation plays an important role in performance appraisals, and as key motivators she mentioned e.g. recognition of achievements, objective and constructive feedback and understanding how the performance contributes to the larger goal of the organization. The second interview repeated some of the same challenges as the first, such as high staff turnover (often less than a year), inexperience of person conducting the review, performance review often not linked to trainings or increments and minimal investment in staff. However, the interviewee also managed to find ways to solve them:

> "I think one of the biggest challenges is that there is no HR position in these organizations. They are sometimes really small organizations, have only about 4-5 staff members, -- so often HR is not assigned to any person but it's part of the leadership responsibility, which has thousands of responsibilities. So I think to overcome that, it is important that if they don't consider hiring a person who is fully responsible for HR, at least make sure that one person that is doing something else, perhaps a Fundraising Manager I don't know? Make sure that that person has enough time. So that someone feels responsible for HR and Performance Appraisals. Makes sure that it happens, to follow up the whole process, how it is done." (Nadine Jaeggi 27.4.2014)

In the second interview the Portfolio Manager also reminded that it might be useful to assist NGOs in doing an annual plan at the beginning of the year to break down in smaller goals and then assign clear individual goals and deliverables to each staff member. In this way the organization could enter to a more structured performance appraisal system that would have clear tasks and timelines from the beginning.

The second interview also gave concrete ideas and wishes on the Performance Appraisal –guide:

> What would be very helpful if you could include beyond saying what it is, why it is important and how you can set it up, include like sort of tips on how can you make the most out of it. (Nadine Jaeggi 27.4.2014)

Both of the interviews repeated the same challenges and needs. The first interview created a basis for starting the building of the product. The second one went more into detail and was able to give concrete tips and guidelines what to include in the product.

3.2 The description of the product: Performance Appraisal –guide

It was agreed already in the beginning of the process that the Performance Appraisal –guide would be a simple and straightforward booklet. The Portfolio Manager of the case company was hoping that the guide would start by explaining what the guide is about, why it is important and that it would have short explanations for the key terms used. The guide consists of this introduction part, concrete steps on how to begin and proceed from one to eight and a chapter for common failure and how to solve them at the end of the guide. The booklet has overall nine pages and it follows the Atma layout designed by another student from Haaga-Helia.

The steps of the booklet should give clear guidelines on what Atma's volunteers should take into account when working together with the partner organizations that are eager in entering a performance appraisal system. The steps start from identifying human resources/performance appraisals related role(s) in a partner organization, describing the importance of understanding the organization's vision and values, setting timelines, the significance of proper performance appraisal documentation, how to conduct an appraisal meeting and finally the rewarding.

An ideal situation would be that with the help of Atma's educated volunteers and this guide's instructions, the partner organization could start the process and every year move on towards a more sophisticated performance appraisal system.

3.3   Feedback of the product

The feedback of the product itself was very positive and it seemed that the case company can really benefit from the Performance Appraisal –guide. According to the Portfolio Manager's feedback, the product is "really good and will help future volunteers, partnership managers and partners to understand why to have a Performance Appraisal system and how to set it up."

As performance management is a continuous and sometimes even slow process, it was not possible at this point to test the product in practise. The results of the performance management process and the Performance Appraisal –guide's part in it are too broad processes and therefore cannot be evaluated in this thesis.

4 Evaluation of the product: Performance Appraisal –guide

This chapter will discuss the validity and reliability of the thesis product and conclude the strengths and weaknesses of the product creation process.

4.1 Validity and reliability

According to Eskola&Suoranta (2003, 208) especially in qualitative studies the researcher has to continuously evaluate if the decisions done have been correct or not and in this way take a stance on the coverage of the analysis and the reliability of the study. This subchapter will assess the validity and reliability of the thesis process.

The aim of this thesis process was to create a Performance Appraisal –guide and that goal was reached. The most challenging part of the process was to fully understand the cultural difference between the thesis author and the target organization, which might cause a gap in the validity part. Nevertheless, the primary data delivered by the case company was accurate enough to gather the pieces together and result in a valid product. Also the feedback from the case company revealed that correct choices had been done and the product can be used as planned.

The process of creating the product started with the literary review that gives a bases and functions as secondary data collection method for the product. The two interviews were chosen as primary data, as without them no necessary background information of the case company's needs could have been achieved. Together the theory part and the two interviews supported each other in obtaining the project objective and tasks. The primary data from the case company as an subscriber of the product is accurate and reliable, up-to-date and therefore fulfils the reliability criteria.

4.2 Assessing own learning

The project started and commissioning agreement was signed in autumn 2013. With Human Resources Management in Global Business as specialization studies this pro-

ject seemed like a natural choice – fulfilling the GloBBA thesis criteria and an interesting topic. Very soon it came clear that this project will be much more than just writing a simple manual for an Indian non-profit organization. It took some weeks to just investigate the local culture, read through articles and books and even watch television programs about Indian government, culture and business life. The background work may not be visible in the study but gave a platform for starting to understand the needs and challenges that the case company's partners and employees face in their daily work. According to my expectations, the process was supposed to teach what Human Resources Management in Global Business means, but it actually taught what the lack of Human Resources Management in Global Business currently is.

4.3   Discussion

As the aim of the thesis was to create a Performance Appraisal –guide, that would be simple and easy to read. It forced the project owner to make decisions like what to include in the product, what is necessary and what could be left out. It also leaves some responsibility to the case company – will they be able to launch the performance appraisal process in partner organizations professionally and sensitively enough to make it a success? As the performance appraisal is a long term process, it was not possible to answer to these questions during the life cycle of this thesis process.

A lot will be left on the managers' shoulders. For example one of the key ideas of the whole performance management process is to increase employees' motivation. Therefore it is important to remember that even if the employee wasn't able to reach his/her performance or development goals, the reasons for this failure should be investigated together and in a supportive manner. No guide can give instructions in what "supportive manner" in a certain situation means.

Manager's duty is to evaluate the employee's performance of the year. He/she must have a clear vision on how to develop the employees in the organization, to which direction to push them and how to support the employees in this vision. An important part of the evaluation process is to consider if it is possible to offer the employees further training, probably change their current job descriptions, conduct promotions or

remove people from certain roles. The results of the performance management process determine the next steps and future direction of the organization.

All these issues are key elements of performance management but not everything can be included in a short and simple guide. It is all about people.

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Attachment 1. Interview questions. Interview 1.

Interview 27.1.2014, Rui Huang and Annukka Kallio

Questions:

1) **General background:**

1. What are the general attitudes towards appraisal systems in Atma's partner organizations? Do you know what kind of wishes, expectations, prejudices or needs the management/employees currently have?

2. How do the organizations currently evaluate the employees' experiences/competences/interests? Is any kind of evaluation system/discussion/tracking already familiar?

3. Can you mention any incentives except money that motivate people in your (Indian NGO) environment?

2) **Partner Organizations**

4. How many (approximately) partner organizations could start using the appraisal system right away?

5. For how long do employees usually stay at partner organizations (months, years, etc.)?

6. Is the general communication between top management and employees open? If not, what is it like?

3) **Process**

7. Do you think that a one calendar year would be a reasonable timeline for the process?

4) **Challenges**

8. What do you see as challenges in implementing the appraisals system?

9. What do you mean with "low efficiency" as a challenge?

10. How do you think top management/employees will accept/adopt the appraisal system?

Attachment 2. Interview questions. Interview 2.

Interview in April 2014, Nadine Jaeggi and Annukka Kallio

Questions

PURPOSE OF PERFORMANCE MANAGEMENT
1) What do you see as the purpose /goal of performance appraisal systems implementation in a partner NGO?

2) Do you feel that the performance management processes are linked more to appraisals and evaluation than in positive feedback and support for a person to perform? Which model do you think works better in Atma's partner organizations? Why?

3) Can you think of some factors that would motivate people in the partner organizations?

4) Is the purpose of performance appraisal systems (in NGOs) in measuring specific tasks such as numbers, targets or tasks to meet deadlines or concentrating in motivating people, creating a feeling of a positive work environment and success? Or both? Why?

SUCCESSES (AND FAILURES)
5) Do you have an experience of a successful or practical performance management system in any of Atma's partner organizations? If yes, can you tell me about the reasons for the success? If not, what do you think are the main reasons that the systems don't work?

CHALLENGES
6) What do you see as the most difficult challenges in implementing the appraisals system? Do you have any suggestions how to win them?

7) Rui mentioned lack of time and lack of resources as challenges for the Performance Appraisal systems implementation in an NGO. How do you think these resource constrains affect performance appraisal system implementation? What can be done to handle/overcome these?

TRAINING
8) What do you see as the most important parts of appraisals where NGO staff needs training?

TIMELINE
9) Is March – October the best timeline for conducting appraisal discussions? Would another annual timeline (year clock) work better? Why?

HOW TO GUIDE
10) What are your personal views/opinions about the How to – guide: which things do you see necessary, what kind of steps, concepts and explanations would you see the most important? Why?

Attachment 3. Performance Appraisal –guide.

What is a Performance Appraisal –guide?

This Performance Appraisal –guide describes a process by which Atma's partner organizations can enter into an effective performance appraisal system. Through this system the partner organizations' employees' work performance can be evaluated and documented. The guide specifies how the partner organizations can gain more engaged employees, more open communication, tools for a more functional evaluation system and examples of rewarding their staff.

The guide presents clear instructions on how to begin the process with a partner organization. It also provides key performance appraisal terms and gives examples of best practices and common failures.

Why is a performance appraisal important?

The increasing number of employees in NGOs requires an efficient system to ensure the maximum utilization of each employee. Understanding own organization's mission, having clear individual goals and development plans, open communication and documented evaluation lead to a positive work environment and more motivated people. These in return lead to organization's better long-term results.

Sometimes especially a small non-profit organization's management may well understand these facts but lack of time and resources prevent them from either completing the performance appraisal processes or in some cases, even starting. This Performance Appraisal –guide explains how to integrate the method to partner organization's regular processes. This manual provides a step-by-step guidance on how to create a performance appraisal system for Atma's partner organization and demonstrates what aspects need to be taken into consideration throughout the creation process.

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Key terms used in the guide:

1) **Performance Appraisal** (PA) refers to a continuous process that consists of several periodic activities, such as

   - ✓ understanding the organization's mission, long- and short-term objectives
   - ✓ setting individual goals and creating further development plans
   - ✓ arranging appraisal meetings once/twice a year
   - ✓ giving and getting feedback
   - ✓ tracking and evaluating employees' annual performance
   - ✓ linking performance to individual development plans
   - ✓ rewarding employees for their good performance.

   The life cycle of a PA process is one year and it follows the organization's fiscal year (i.e. start in April, end in March next year).

2) **Appraisal Meetings** refer to a set of individual and confidential discussions between a manager and an employee. In these meetings both the employee and employer can discuss and evaluate the past and coming year, give and get feedback, agree the next year's goals and clarify action plans for the employee. These meetings aim to establish open communication between a supervisor and an employee, strengthen positive work environment and increase the employee's work motivation.

3) **Performance tracking** refers to the performance appraisal documents. The employees' performance should be tracked and followed by the manager during the year, so that it will be easy to continue from the last evaluation.

4) **Rewarding** refers to awarding the employees when they have reached their goals or performed well. Sometimes it may be difficult or even impossible to reach the goals set, but other important things in individual rewarding might be e.g. meeting the deadlines, having the right attitude and creating team spirit. Rewarding the whole organization after the fiscal year is a very important motivator. When employees see the results of their hard work it increases motivation. It also gives the feeling that their work is highly appreciated by the management.

Step1. Identifying roles

Before starting the performance appraisal process in a partner organization, someone from the NGO staff needs to be nominated as a responsible person for the process. An ideal person for this role would be either from the management team, someone with previous HR experience or an employee who would be able to perform this additional role. Let this PA responsible person know that Atma will support him/her throughout the process.

Step2. Understanding the organization's vision, mission and values

The first step of a PA process is to understand the purpose of the organization: vision, mission and values. Without fully understanding what the organization is aiming for and what values it believes in, it is difficult to proceed with the next steps. If the partner organization's vision, mission and values are vague, it might be a useful idea to start with clear and short statements. It is also worth considering to engage the whole organization in the value creating process in e.g. a workshop. In this way employees understand that their thoughts and ideas are highly appreciated and the organization actually can work together.

Organization's…

Vision:	Values:
	•
Mission:	•
	•

Step3. Setting goals

After that first step, it is time to move forward and create individual goals. It is important that the employees' individual goals and competency frameworks are in line with the organization's overall strategy. At this point it is also advisable to clarify to the employees why the performance appraisal is important and what it means in practise (i.e. in their daily work).

When job descriptions are clear, the employees' goals should be developed towards two different categories: performance and development goals. Performance goals refer to the concrete tasks that an employee will concentrate in during the current year. Development goals refer to an employee's individual development plan during this time period. It is enough if an employee has 1-3 individual goals during a PA year, depending on his/her role in the organization.

Step4. Setting timelines – First Performance Appraisal

In India the general financial year starts in April. That forms also a natural year clock to performance appraisals. A good way is to start the preparation already in March, so that the process gets a smooth start in April. After the first performance appraisals have been completed, the work towards the goals set can start.

The table below describes a simple timeline for the core activities, timelines and responsibilities of the first round of a performance appraisal process.

First Performance Appraisal		
Timeline	**Activity**	**Responsibility**
Beginning of March (duration 1 week)	Communicate the process and it's timelines to the employees.	HR to complete
Middle of March (duration 2 weeks)	Employees fill in the self-evaluation and submit it to their supervisor.	Employees to complete
End of March (duration 1 week)	Set up individual performance appraisal meetings with employees and complete the employees' Performance Appraisal Forms.	Supervisors to complete
Beginning of April (duration 2 weeks)	Conduct performance appraisal meetings with each employee, return the completed documentation to HR and provide two copies (employee and interviewer).	Supervisors to complete
Middle of April (duration 1 month)	HR compiles, analyzes and reports (Performance Appraisal Report Template) on performance appraisals to the Executive Director and decide possible employment changes of employees (training, salary increment, promotions, etc.)	HR, supervisors and the executive Director

ATMA

Step5. Setting timelines – Mid-term performance appraisal

Mid-term or second appraisal meeting aims to check if the employee has managed to start striving towards the goals agreed. If so, the summary of the activities done and upcoming tasks/projects should be tracked. This is also a good opportunity for discussion, communication and informal feedback.

Note! Ratings are only given in the first appraisal.

The table below describes a simple timeline for the core activities, timelines and responsibilities of the second round of a performance appraisal process.

Mid-term (second) Performance Appraisal		
Timeline	**Activity**	**Responsibility**
Beginning of October (duration 3 days)	Communicate the process and it's timelines to the employees	HR to complete
Beginning of October (duration 2 weeks)	Set up individual performance appraisal meetings with employees to occur during the next 2 weeks.	Supervisors to complete
(duration 1 week)	Set up individual performance review meetings with employees and Complete employees Performance Appraisal Forms.	Supervisors to complete
Beginning of October (duration 2 weeks)	Conduct personal review meeting with each employee and Return the completed appraisals to HR and provide 2 copies to employee and themselves	Supervisors to complete
Middle of October (duration 2 weeks)	Check the up to dated progress towards goals and determine whether any adjustments are needed	Supervisors to complete

Step6. Tracking and documentation

Performance occurring during the agreed time period should be measured by the NGO management and tracked accordingly. Ways for measurement can be e.g. how tasks meet timelines, how or if an employee manages to complete projects, etc. Another way of measurement can be e.g. whether an employee has represented a positive, helpful or professional attitude in the organization, managed to solve challenging work-related problems or succeeded in some other way that improves the spirit of the work environment. It is recommendable to go through the documents with the partner organization's supervisor before moving forward to the interviews.

Atma has specific performance appraisal documentation available that helps the work of the evaluator. The most important performance appraisal forms are:

- ✓ Employee Self-Assessment Form
- ✓ Overall Evaluation Form
- ✓ Overview of Employees' Performance Appraisal Form

At least the following steps should be covered by an employee:

- ✓ Overview of the past year
- ✓ Feedback on the past year
- ✓ Past year's goals and achievements
- ✓ Employee's expectations
- ✓ Development plan and new goals (together with the supervisor)

At least the following should be tracked by the supervisor:

- ✓ Overall evaluation of an employee
- ✓ Development plan and new goals (together with the employee)
- ✓ Overview of all employees' performance appraisal

Step7. Conducting a performance appraisal meeting

Before the actual interview, NGO employees fill in a self-assessment form (see Step6). Based on the answers and following the given timelines, the meeting can start. To make the PA meeting successful, at least the following issues are useful for the supervisor to cover:

- ✓ Arrange enough time and a place where a confidential discussion can occur without interruptions.

- ✓ Think of any possible development ideas and/or future involvements for the employee beforehand.

- ✓ Use correct documentation (see Step6) to ensure a logical order of the review.

- ✓ Be a good listener and let the employee do most of the talking.

- ✓ Concentrate on performance factors rather than employee's personality issues.

- ✓ Make sure that both the employee's strengths and development areas are discussed in balance.

- ✓ Evaluate the employee by describing concrete examples, try to find pros and cons and give feedback with constructive spirit.

- ✓ Double-check the agreed, further action plans (who is going to do what and when) so that they are clear for both parties and no misunderstandings will occur.

Step8. Rewards

As the aim is to make the business better or even pursue high performance, there are several ways of rewarding people for great performance. NGO can reward its employees either individually or as a team. Rewards can be e.g.:

- ✓ Training and professional development opportunities
- ✓ Promotions
- ✓ Salary raise
- ✓ Events where the management presents the results of the NGO's hard work from the previous financial year

Whatever the reward is, it is important for the management to make sure all the employees feel fairly rewarded and that clear guidelines on rewarding practices exist.

How you can make the most of it: Common failures and how to solve them

When well conducted, a performance appraisal system is an effective tool and leads to increased performance and motivation. There are still challenges that are worth considering to avoid failures:

Challenges:	How to win it:
NGO staff is not familiar enough with the system and therefore fails to understand what the process is about.	✓ Make sure job descriptions and organization's goals are clear for all NGO employees. ✓ Make sure the NGO gets enough training on performance appraisals. ✓ Give all the employees a chance to ask questions. ✓ Try to bring out the positive impacts of the PA system to make the employees feel comfortable with it.
NGO fails to have time/resource to complete the process and make it continuous.	✓ Assign HR responsibility to a staff member who has the bandwidth to spend enough time on it (including preparing appraisers on how to do performance appraisals and be part of the discussions). ✓ Try to make the NGO understand that in long-term the time and resource taken to performance appraisals starts paying back.
High staff turnover of the NGO leads employees not to engage in long-term plans.	✓ Assist NGOs in doing an annual plan at the beginning of the year to break down the larger goals. ✓ Assign clear goals and deliverables to each staff member so that when an employee changes, it will be easy to understand the previous role and responsibilities.
Appraisal meetings concentrate too much in feedback and evaluation than success and development, which might decrease the employees' motivation.	✓ Highlight the goals of performance appraisals: more positive work environment, more motivated staff and therefore better results.