

# **WORKSHOP ON 'PERFORMANCE EVALUATION AND MANAGEMENT OF STATE OWNED ENTERPRISES '**

*Linkage of Performance outcomes with  
incentives for SOE managers*

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Chairman & Managing Director, NTPC Ltd  
Former CMD NBCC, Former Chairman, SCOPE



# Linkage of Performance outcomes with incentives for SOE managers



## Objective of PSUs

- **India's Economic Model**- Mixed Economy – CPSE Created- to maximise social welfare and ensure balanced economic development in the country,
- **Objective** –reduce unemployment, disparities between rural and urban, inter-regional and inter-class disparities and technological backwardness.

## NTPC Ltd.- Background

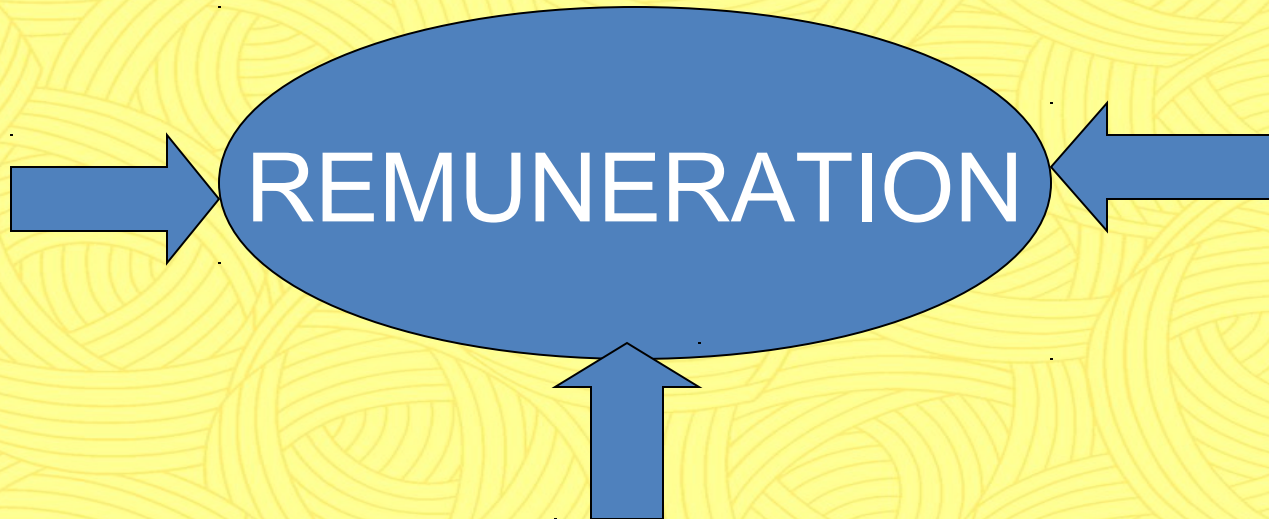
- Incorporated in 1975
- Operates in process driven power generation engineering industry
- Highly manpower intensive and team oriented.
- Power plants located across the country.
- Operation entails difficult work conditions and hazardous environment, subjected to risks.
- Suitable compensation is necessitated for requisite motivation

Present guidelines are restrictive and act as a dampener to the motivation of employees and have to be made organization specific for which powers have not been given to the board to take organization specific schemes .



# CPSE's CEOs REMUNERATION STRUCTURE

BASIC  
SALARY  
SCALES -  
A - 80000 -  
125000  
B - 75000 -  
90000  
C - 65000 -  
75000  
D - 51300 -  
73000



30% OF  
(BASIC + DA)  
AS  
SUPERANNU  
ATION  
BENEFITS

PERKS LIMITED TO  
50% OF BASIC

# Linkage of Performance outcomes with incentives for SOE managers

## Performance of Maharatna Vis-a-vis Other PSUs

Description	Maharatna	Total PSU	Percentage
No. Of Companies	7	229	3.06
Profit (2012-13)	61151.51	115298	53.04
Dividend (2012-13)	30804	56404	54.6

## Performance of Maharatna Companies on Year to Year basis

Description	2012-13 (in Rs Crore)	2013-14 (in Rs Crore)	% Increase
Profit	61151.51	65549.61	7.2 %
Dividend	30804	41998	36.34 %



# RANKING IN TERMS OF PAT 2013-14

Sl. No.	Company	PAT (Rs. Cr.)	Rank
01.	ONGC	26,653.02	1
02.	RIL	22,548.00	2
03.	TCS	19,331.87	3
04.	COAL INDIA	15,111.64	4
05.	TATA MOTORS	14,104.18	5
06.	CAIRN INDIA	12,431.79	6
07.	NTPC	11,403.40	7
08.	INFOSYS	10,656.00	8
09.	SESA STERLITE	10,339.38	9
10.	ITC	8,990.62	10

**3 out of top 10 are CPSEs**



# RANKING ON THE BASIS OF MARKET CAPITALIZATION (AS ON JAN 14,2015)

Rank	Company	MARKET CAPITALIZATION (Rs. crore)
01.	TCS	4,93,237.09
02.	ONGC	2,94,180.53
03.	ITC	2,78,560.97
04.	RIL	2,70,168.74
05.	INFOSYS	2,44,486.79
06.	HDFC BANK	2,32,880.96
07.	COAL INDIA	2,29,631.43
08.	SBI	2,27,518.15
09.	HINDUSTAN UNILIVER	1,99,439.12
10.	ICICI BANK	1,95,263.47
11.	HDFC	1,76,274.43
12.	SUN PHARMA	1,69,985.87
13.	L&T	1,40,966.80
14.	TATA MOTORS	1,40,186.88
15.	BHARATI AIRTEL	1,38,449.95
16.	WIPRO	1,36,370.75
17.	AXIS BANK	1,18,468.75
18.	NTPC	1,13,663.73
19.	HCL	1,10,893.83
20.	KOTAK MAHINDRA	1,07,405.47

**4 out of top 20 are CPSEs**



# TOP 10 CPSEs

## RANKING IN TERMS OF PAT 2013-14

CPSE Ranking	Company	PAT (Rs. Cr.)	All India Rank
01.	ONGC	26,653.02	1
02.	COAL INDIA	15,111.64	4
03.	NTPC	11,403.40	7
04.	IOCL	6,966.58	12
05.	NMDC	6,414.24	13
06.	GAIL	4,727.59	15
07.	PGCIL	4,547.58	16
08.	BPCL	4,052.98	18
09.	BHEL	3,502.34	22
10.	OIL INDIA LTD.	2,941.98	23



# CPESs RANKING ON THE BASIS OF DIVIDEND PAID TO GoI

Rank	Company	Dividend (Rs. Cr.)	Govt. Shareholding (31.03.2014)
01.	CIL (Cons.)	18,317	89.65%
02.	ONGC	8,128	68.94%
03.	<b>NTPC</b>	<b>4,741</b>	<b>75.00%</b>
04.	IOC	2,112	68.57%
05.	PFC**	1,188	72.80%
06.	Power Grid	1,350	57.90%
07.	GAIL	1,319	56.11%
08.	BPCL	1,229	54.93%
09.	SAIL	834	80.00%
10.	REC	938	65.64%

All data standalone basis except Coal India Ltd.



# RANKING ON THE BASIS OF DIVIDEND PAID

Rank	Company Name	Dividend 2013-14 Rs. crore (Consolidated)
01.	Coal India Ltd	18,317.46
02.	Oil and Natural Gas Corporation Ltd	8,127.72
03.	Tata Consultancy Services Ltd	6,267.33
04.	NTPC Ltd	4,791.76
05.	ITC Ltd	4,771.91
06.	Infosys Ltd	3,618.00
07.	NMDC Ltd	3,370.01
08.	Hindustan Unilever Ltd	2,811.43
09.	Reliance Industries Ltd	2,793.00
10.	ICICI Bank Ltd	2,656.28

**4 out of top 10 are CPSEs**



# RANKING ON THE BASIS OF PAYMENT OF INCOME TAX

Rank	Company	Income tax FY 13-14 (Consolidated ) IN Rs. crore
01.	Oil and Natural Gas Corporation Ltd	12,760.39
02.	Coal India Ltd	7,767.90
03.	State Bank of India	6,836.07
04.	Reliance Industries Ltd	6,215.00
05.	Tata Consultancy Services Ltd	6,069.99
06.	Bharti Airtel Ltd	4,844.90
07.	Tata Motors Ltd	4,764.79
08.	ICICI Bank Ltd	4,604.40
09.	Infosys Ltd	4,062.00
10.	ITC Ltd	4,060.93
11	NMDC Ltd	3,339.72
12	Axis Bank Ltd	3,170.25
13	NTPC Ltd	3,082.36
14	Tata Steel Ltd	3,058.16
15	Indian Oil Corpn Ltd	3,011.27



# 'One Size Fits All' approach needs change

Present allowable variable pay to be 5% of PBT. However, this has a restriction clause of 3% + 2% (i.e. 2% for incremental profit, subject to 10% increase from the last year's profit). This is a restriction for large organizations with huge denominator, resulting in employees of Maharatna companies getting paid less PRP when compared to other companies who meet this clause because of small denominator.

Board should be empowered to decide on the distribution of 5% of the distributable profit so that organization specific, sector specific, location specific and job-design specific considerations can be addressed.

Disbursement of amount through 'Bell-Curve' mechanism is a demotivating factor because of the historic culture adopted in public sector companies. Hence, many of the companies are not able to give zero PRP, since they are considered 'State' under Article 12 of the Constitution of India. They need to be broken away from this and made into 'business entities'.

Most of the large SOEs are operating in competition with the private sector companies and private sector is offering wide range of incentives and performance related ESOP.



# NTPC's approach towards Rewards and Recognition

Recognizing special efforts of employees in difficult work conditions, by compensating their effort by cross subsidy from other employees.

Training in global business schools

Long Service Recognition and Awards

Sharing with persons performance comparison with MoU and counseling them to improve performance

Provisions for grievance redressal

Meet the CMD, Meet the Director (HR), Directors at Door, PUPs, etc.



**THANK  
YOU**



# Linkage of Performance Outcomes with Incentives - Experience of Indian SOEs

**International Workshop**

**on**

**'Performance Evaluation and Management of State Owned Enterprises'**

**Session: 13:15 to 14:45 hrs, 15<sup>th</sup> January, 2015**

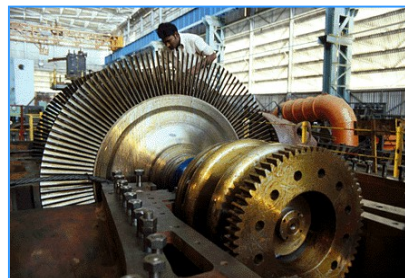
**Indian Habitat Centre, New Delhi**



# Our Credentials

A 'Maharatna'  
company

All time high **13.5 GW**  
commissioned/  
**synchronized** during  
FY 2013-14



**Profit** making since  
1971-72



A major **Integrated Power Plant Equipment Manufacturer** in the world

17 Manufacturing Units, 1 Subsidiary, 6 JVs,  
Infrastructure to deal with 150+ project sites



References in over  
**76 countries**



Consistent **Dividend**  
**Paying** company for  
over thirty years  
(FY 1976-77  
onwards)

**47525** committed  
manpower base

Single Source for Multiple Solutions of Infrastructure & Industrial Sectors of Economy  
**Power, Transmission, Industry, Transportation, Oil & Gas, Renewables ....**



# MoU – System for Performance Measurement of SOEs

- BHEL signs a MoU with the Department of Heavy Industry (Administrative Ministry) every Financial Year (April – March).
- MoU lists out the expectations of the Govt. from the BHEL in terms of:
  - Static parameters -Financial results &
  - Dynamic parameters that focus on building Organization Capability.



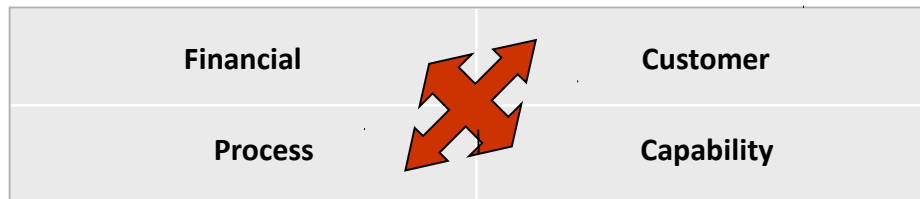
# Process of Cascading MoU Targets

- Every year the Company prepares a Balanced Scorecard (BSC) which includes all MoU parameters and initiatives flowing from the Co. Strategic Plan.
- The Company BSC is cascaded to all constituent Divisions of the Company, ensuring the relevant parameters of the MoU are included in their respective BSCs.
- Individual performance plans are prepared based on the BSCs thereby ensuring MoU targets are cascaded to working levels.

# CASCADE OF PERFORMANCE MEASURES THRU' BSC

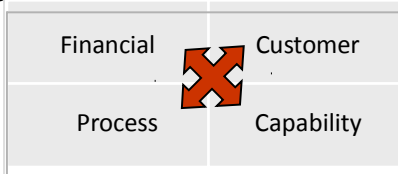
**INPUTS from STRATEGY MAP, MoU & BUDGET**

## BHEL's Performance Measures and Targets



**Company BSC**

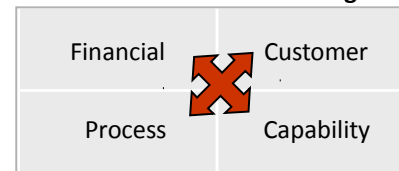
### Unit Performance Measures & Targets



### Sector Performance Measures & Targets

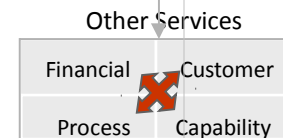
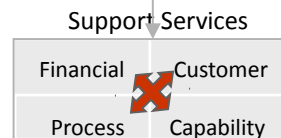
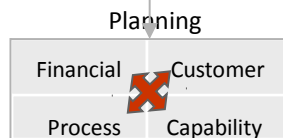
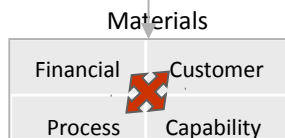
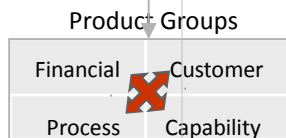


### Corporate Department & Function Performance Measures & Targets



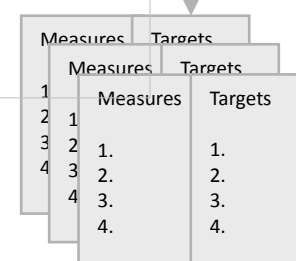
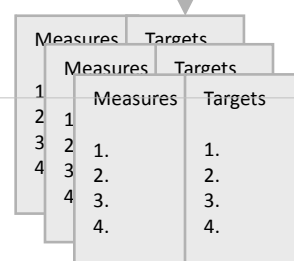
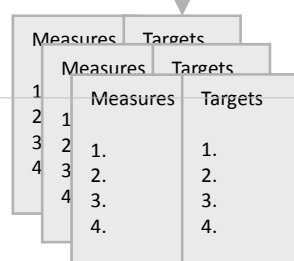
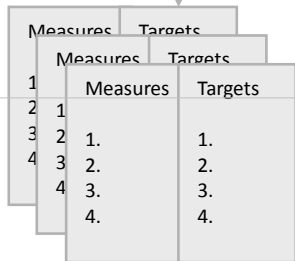
**Unit BSC**

### Departmental Measures & Targets



**Deptt. BSC**

### Individual & Team Measures



**Indl. Plans**



# Scheme for Performance Related Pay

- BHEL has implemented a PRP scheme which links payment of incentives to Company MoU rating and individual Performance 'Rating'.
- Individual performance Ratings are assigned based on 'Bell Curve' approach.
- This scheme is applicable to Executives & a section of Supervisors.
- Workers are not covered by PRP scheme & are allowed to settle incentives through 'Collective bargaining'.

# MoU Linkage with Individual Incentives

- Individual incentive is dependent on:
  - **BHEL MoU rating:** Higher MoU rating results in a higher quantum of incentive and
  - **Individual Performance Rating:** based on individual performance against targets, many of which are derived from MoU targets.
- For CMD & Directors, performance rating has a direct correlation with Company MoU performance. (weightage of 75% & 50% respectively).



# Challenges in Implementing Incentive Systems

## Impact on Group Working :

- Organizations like BHEL, require Team work for Operations
- It is difficult to differentiate contribution of Individual members in such teams.
- Thus difficult to implement Bell curve approach, which requires differentiation based on individual performance.
- The Forced Distribution into Bell Curve leads to adverse impact on team work.

# Challenges in Implementing Incentive Systems

## Different criteria for deciding Incentive payments for Executives & Workers :

- All Executives and a section of Supervisors are governed by the Performance related Pay (PRP) scheme.
- Workers are not governed by the PRP scheme and are allowed to negotiate incentive payments through bargaining process.
- This leads to anomalous situations where workers and executives get incentives based on different criteria.



# Challenges in Implementing Incentive Systems

## MoU Target Setting process :

- MoU targets are increased every year, irrespective of the overall Economic environment or the situation of the sector specific business environment of the PSE.
- Such targets impact the MoU rating and consequently the Incentive payments of the Executives. *(for reasons beyond control of the company and create IR problems)*

## Calculation of PRP Pool :

- Guidelines issued by DPE: income earned through Bank interest to be deducted from PBT while calculating the PRP Pool.
- BHEL operating on self generated earnings without funding support from the Government.

# Challenges in Implementing Incentive Systems

## **Other Issues:**

- **Planning horizon for MOU**
  - Short term & long term (Rolling plans)
  - Strategic Map Approach could be used
- **Mid-term reviews**
  - Quarterly or Half yearly reviews where dynamic situation in the Economic Environment prevails.
- **One-size fits all approach – to be reviewed**
  - Organizations are different, then businesses are different, their operating environment is different
  - Criteria need development suting to the PSE.



# Thank You

# EXAMPLE OF HOW THE PRP IS TO BE CALCULATED

i.	Company MOU Rating	Very Good (80%)
ii.	Grade of executive	E-5 (50%)
iii.	Basic Pay (Annual)	Rs. 6,20,000
iv.	Individual performance rating	Very Good (0.95%)

	1 PRP factor	2 Basic pay (Rs)	3 MOU factor	4 Grade factor	5 Perf. factor	6 Payout factor	7 PRP (Rs)
<b>PRP from current profit</b>	<b>0.60</b>	<b>X 620000</b>	<b>X 1.0</b>	<b>X 0.50</b>	<b>X 0.95</b>	<b>X 1.00</b>	<b>176700</b>
<b>PRP from incremental profit</b>	<b>0.40</b>	<b>X 620000</b>	<b>X 1.0</b>	<b>X 0.50</b>	<b>X 0.95</b>	<b>X 1.00</b>	<b>117800</b>
<b>Total PRP</b>							<b>294500</b>

Column-3: MOU Factor (Excellent-100%, Very Good-80%, Good-60%, Fair-40%. Poor-Nil)

Column-4: Grade factor (S0 to E3- 40%, E4 to E5- 50%, E6 to E7- 60%, E8 to E9- 70%, Directors-150 % and CMD- 200%)

Column-5: Performance Factor (A+ : 100%, A : 95%, B+ : 90%, B : 85%, C : 70%)





# Post signing MoU

Corp  
BSC

**Once the MOU is finalized, through BSC, Corporate Office subdivides the B.E. Targets Department/ Division/Unit –wise and on time frame**

Unit  
BSC

**Each Department/ Division/Unit further sub-divide to the last level as may be feasible**

e-MAP

**Assign responsibilities for sub-targets (with time frame specified) to executives at various levels individually/ collectively**

INTEGRITY



COMMITMENT



MISSION



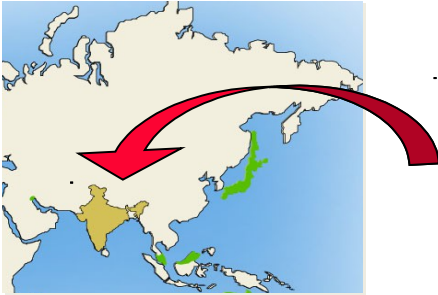
QUALITY

# Linkage Of Performance Outcomes With Incentives

Dr R.K. Tyagi,  
Chairman HAL

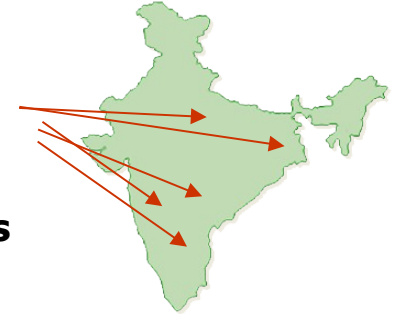


# HAL - Today



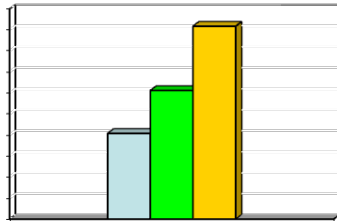
**"Navratna" Company  
since 2007**

**20 Production  
&  
10 R&D Centres**



**31,400 Employees**

**ISO-9001,  
AS-9100,  
NADCAP  
Certifications**



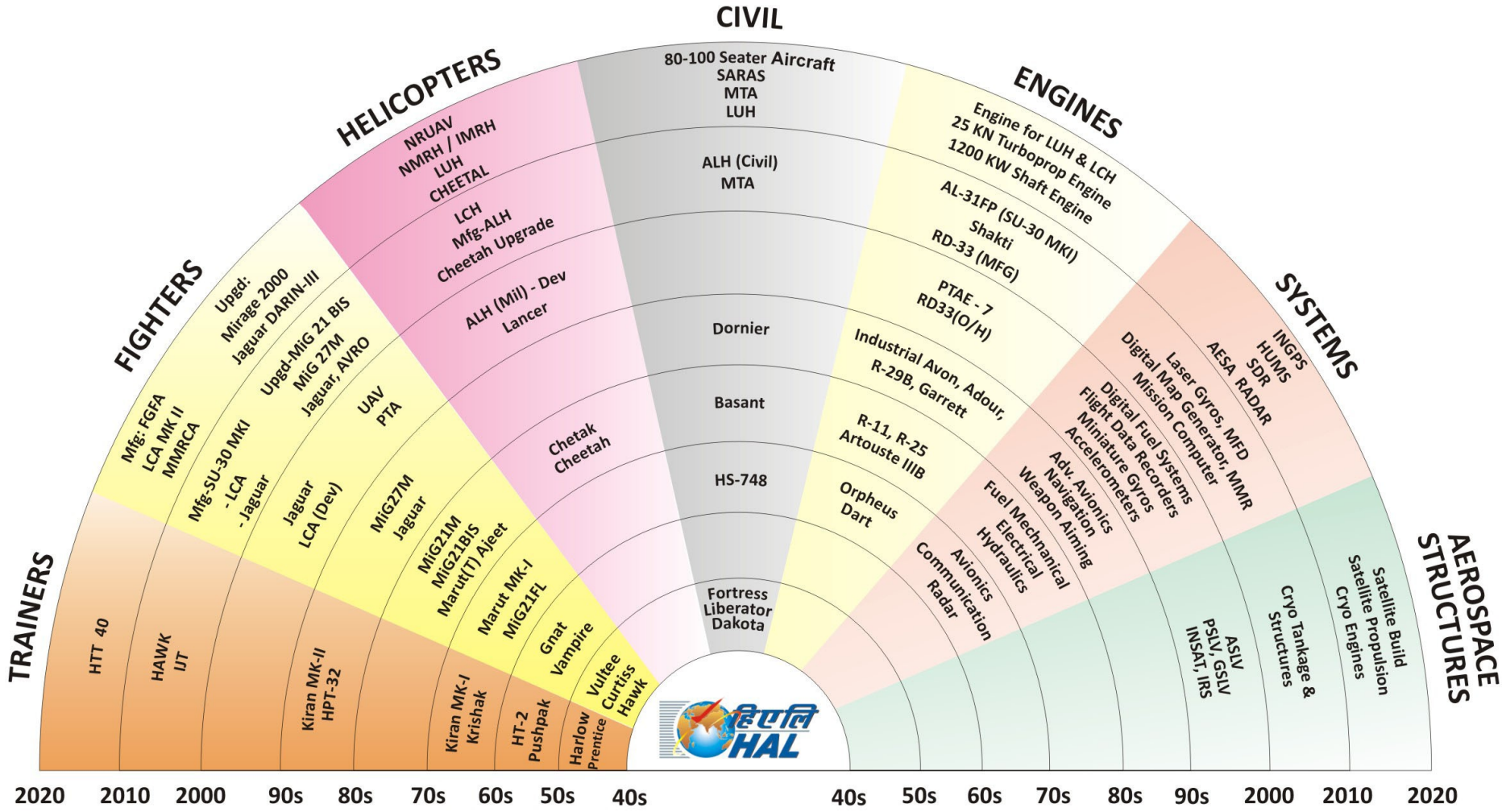
**Turnover : Rs.15,128 Cr  
(2013-14)**

**Export  
to  
more than 20 Countries**



**HAL's performance is rated as "Excellent" since 2001**

# HAL - Expanding Horizons

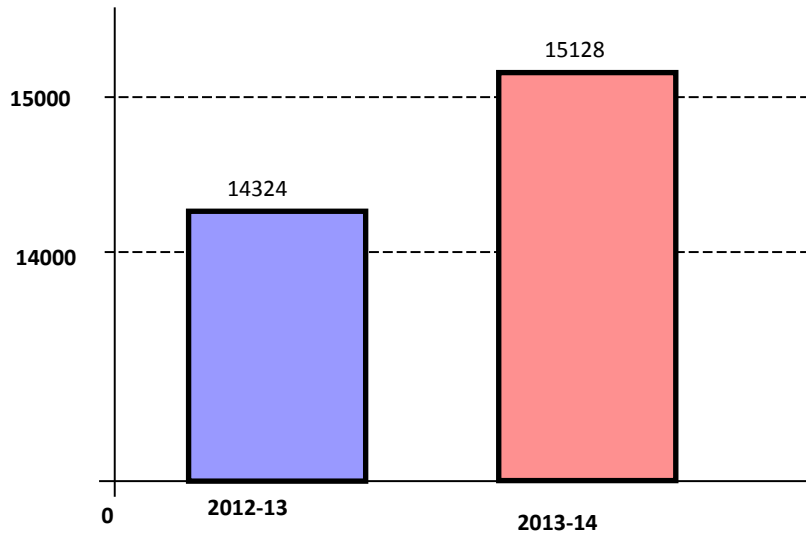




# Financial Performance

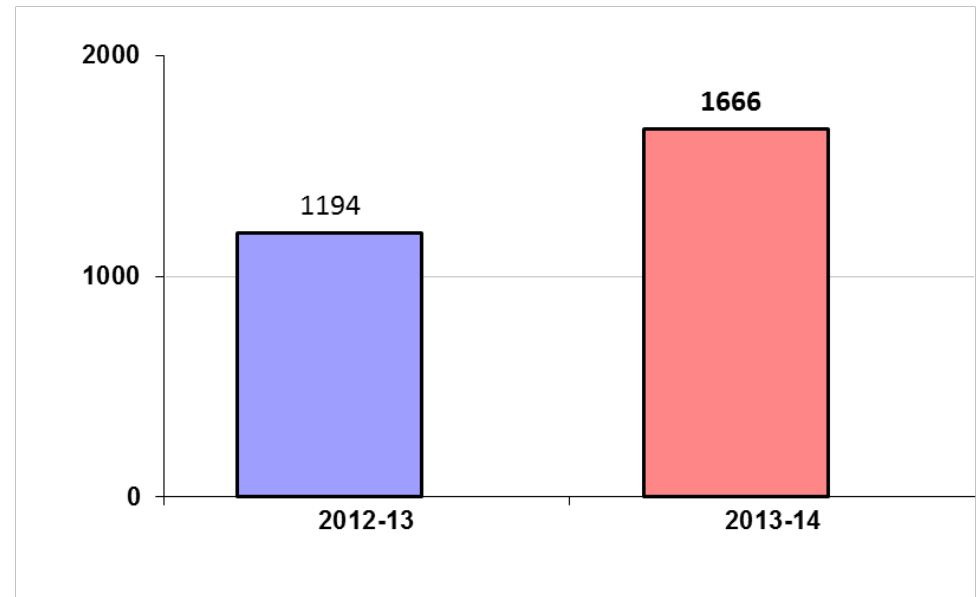


### Sales



### Operating Profit

In Rs. Cr



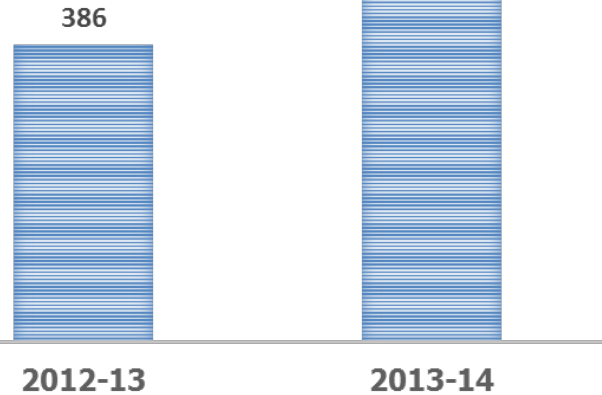
**HAL's performance is rated as "Excellent" since 2001**

# Export Business



## Export Sales

440 In Rs. Cr



- Largest exporter in DDP - 38% of Defence Exports
- Exports to over 20 countries
- Helicopters, trainers and combat aircraft – potential exports
- Inline with National Vision of doubling exports

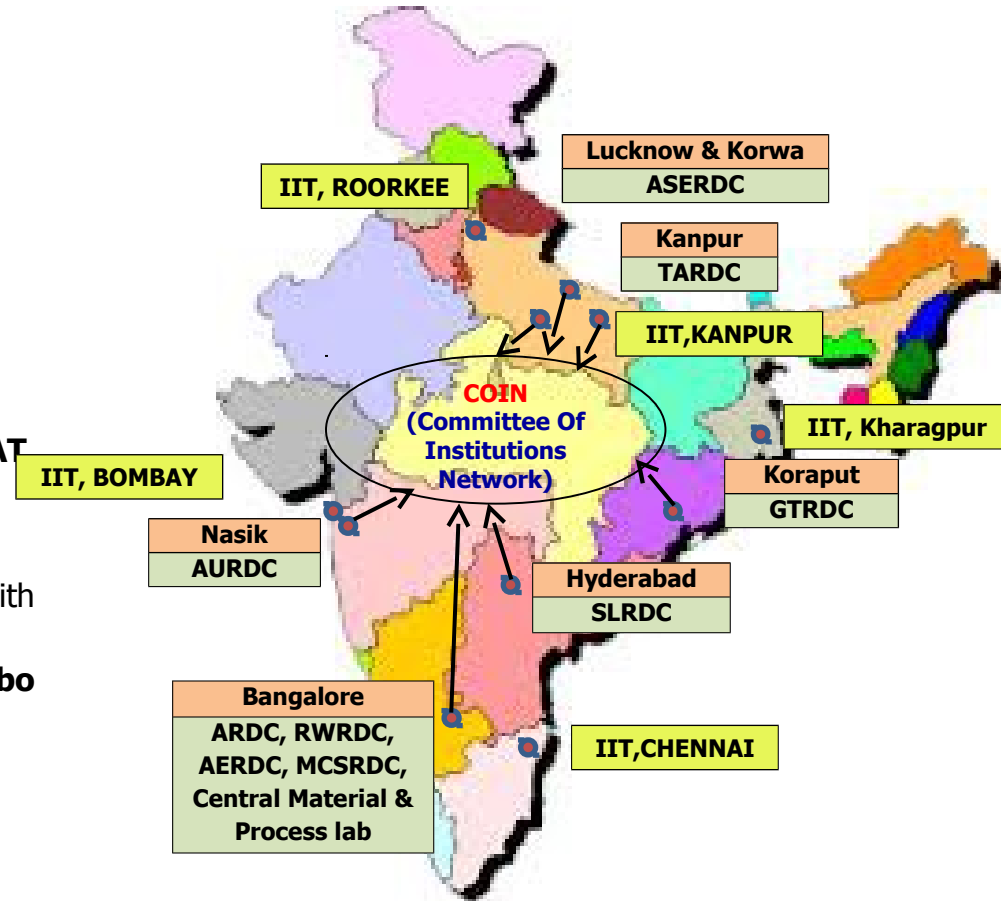


**13 ALHs, 24 Cheetah/Chetak/Cheetals and 3 Do-228s have been exported**

# R & D Initiatives For Self Reliance

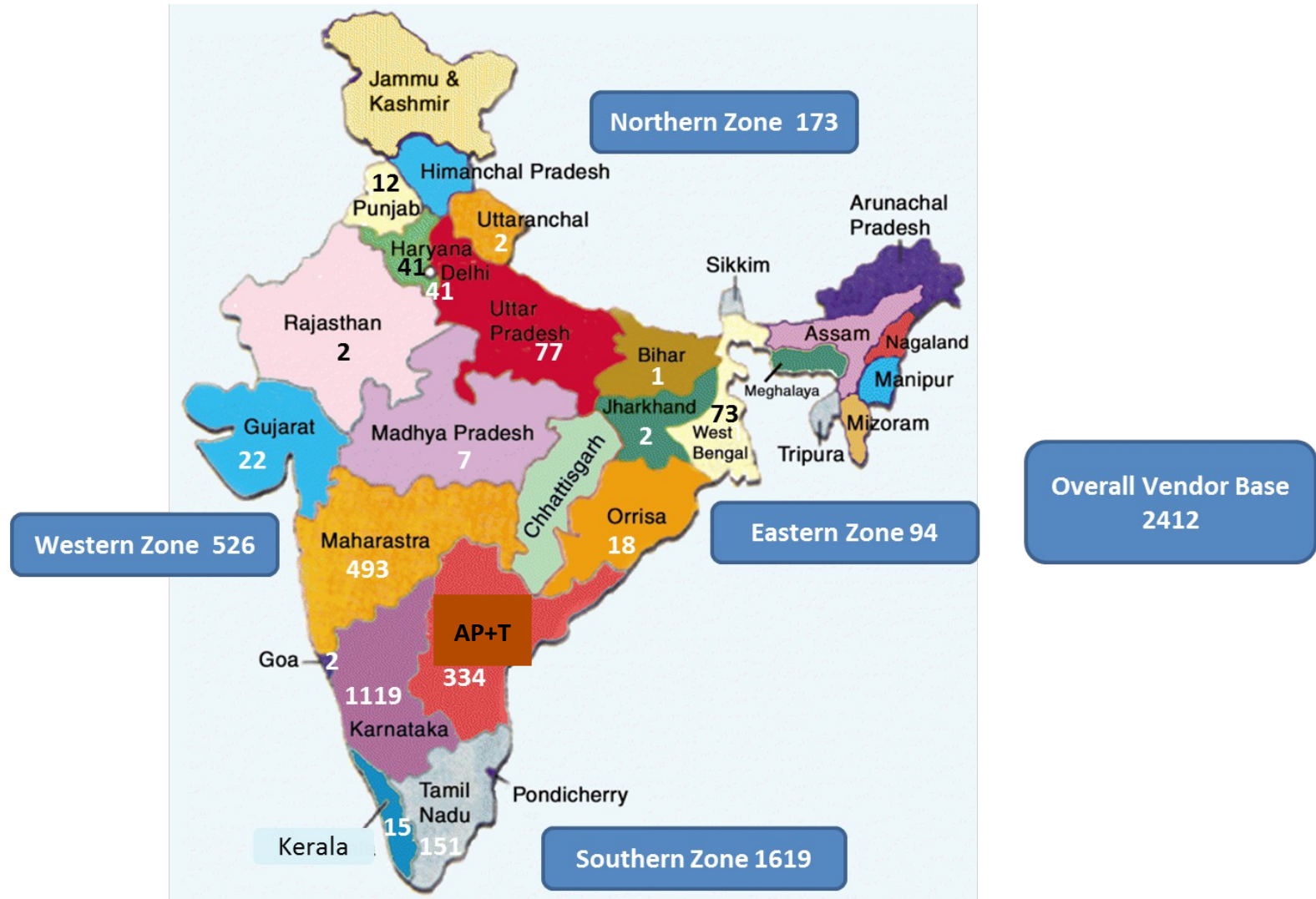


- **More than 2000 Designers**
- **Internal R&D Council: COIN and TDC**
  - R&D policy firmed up
  - Technology Development Projects (111) identified.
- **MoUs for Technology development with IITs**
- **IPR / Patents**
  - Over 1000 patents filed in last two years
  - Awareness campaign for IPR across HAL
- **R&D corpus fund with 10% of operating PAT approved**
- **Design & Development of Aero Engine (25KN)**
  - Preliminary Design Review completed with participation of external experts
  - **Design and Development of 1200 KW turbo shaft engine is proposed**
- **Development of Composites**
  - MoU signed with NAL for technology partnership.
  - Initial technologies identified for FGFA.
- **Design & Development Management Board (DDMB)**
  - Will suggest measures to strengthen design & development in aerospace and promote self-reliance in critical areas of India's defence preparedness





# HAL Aerospace Ecosystem Development



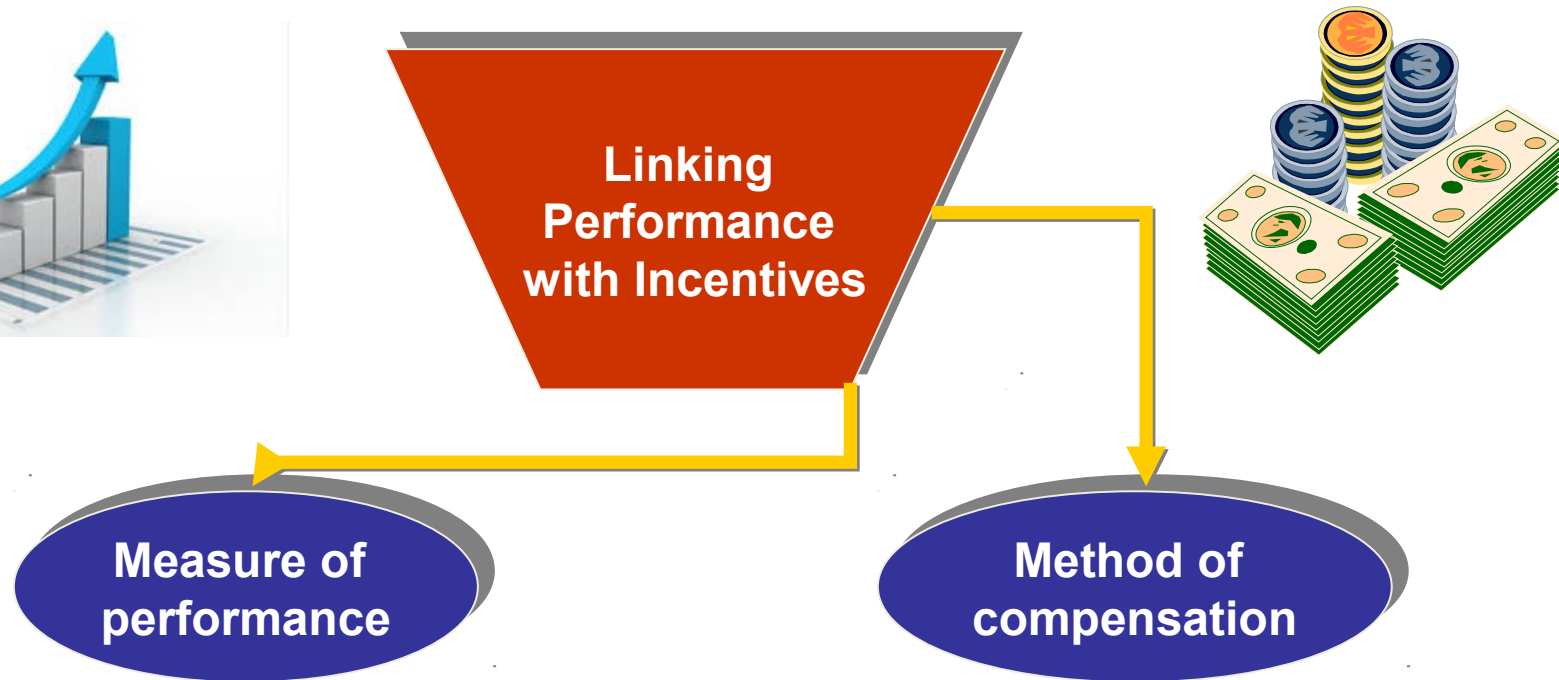
# Performance Management in CPSEs Objectives



- Improving
  - Efficiency and Productivity
  - Transparency
  - Accountability
- Instilling Long-Term Continuity
- Driving Results through Better Strategy Execution
- Alignment of budget and resources optimally

# Pay for Performance

A necessary tool of Performance Management system is an adequate incentive plan





# Measures of Performance

**Financial performance reflects the achievement of financial goals**

- Sales Turnover
- Gross Margin
- EBITDA/Net Block
- PAT/Net Worth
- EBIT/Average Capital Employed
- PAT per Employee
- Turnover / Net Block
- Current Ratio
- Debt Service Coverage Ratio
- Inventory Turnover
- Debt Turnover Ratio

**Nonfinancial measures focus on the drivers and enabler of Growth**

- Modernization
- R&D initiatives
- Indigenisation
- Enhancement of outsourcing
- Project Implementation
- Knowledge Management
- Uniform production
- CAPEX
- .....

# Challenges of Performance Measurement



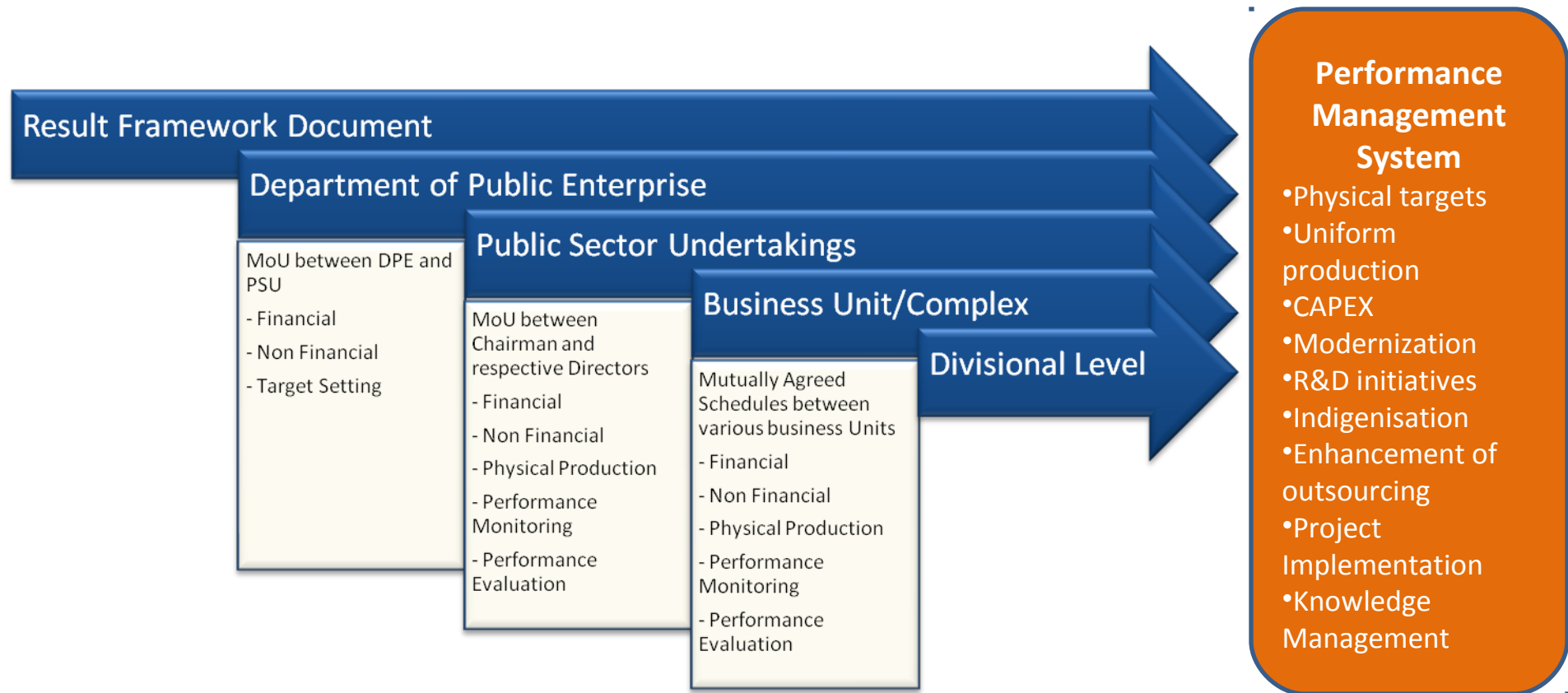
## Financial Parameters

- Repetitions in parameters
- Lack of scientific mechanism in setting base targets
- Impact of External Environment cannot be factored in
- Limited flexibility for revision
- Governmental/Procedural delays cannot be factored in

## Nonfinancial Parameters

- Leading Indicators are difficult to measure
- Increased cost of information
- Increased cost of reporting
- Issues of “information overload”
- Difficulty in prioritizing and assigning weights

# Performance Measurement System PSUs





# Linking Performance with Rewards

## Incentive and Rewards Systems



**Non Financial Incentives also increase belongingness with organization**

HAL Initiatives : HAL Connect, MSM, HAL Oath, HAL Anthem, CH Speaks, HR Weekly, R&D Connect

# Suggestions



1. Flexibility to include Conditional targets or mid-term review of targets should be incorporated at the MoU stage to adequately cater for un-anticipated circumstances.
2. MoUs may be a two way commitment to ensure necessary assurances from administrative ministries regarding decisions , actions and facilitation on their part.
3. CPSEs may be given greater autonomy in setting their Performance Related Payment schemes and include a significant variable component in overall compensation.
4. Reforms of labour laws to reign in the Labour unions from controlling the incentives scheme ,especially in the Manufacturing Intensive industries with long cycle times.
5. Benchmarking of Performance with regard to qualitative Business processes should be institutionalized rather than focusing solely on Quantitative output.

**THANK YOU**





**国务院国有资产监督管理委员会**  
State-owned Assets Supervision and Administration  
Commission of the State Council



# Remuneration Management and Linkage of Performance Outcomes with Incentives

Bureau of Enterprise Remuneration, SASAC, China

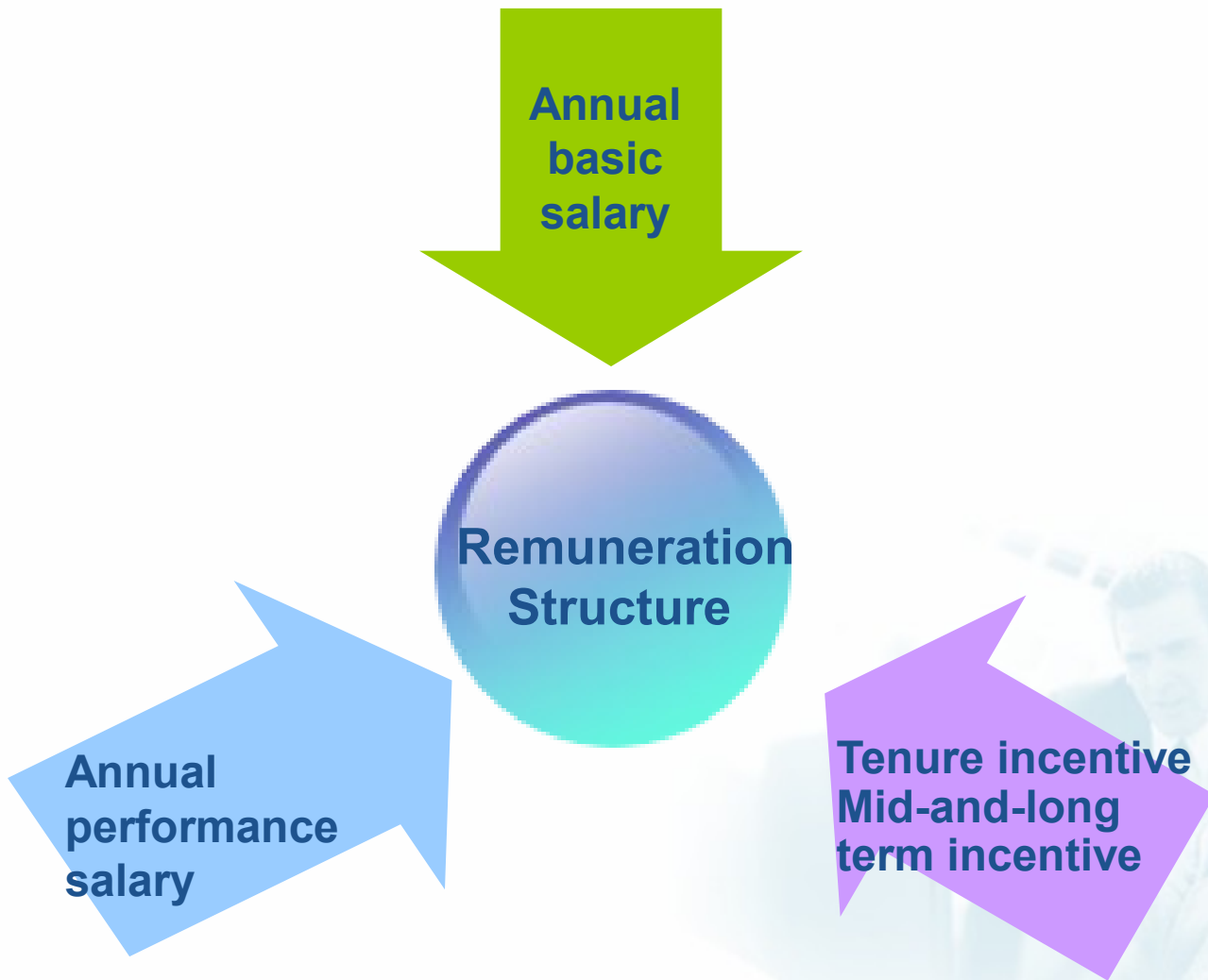
Jan 15, 2015





# 国务院国有资产监督管理委员会

State-owned Assets Supervision and Administration  
Commission of the State Council





## 1. Basic Salary

- 1) Basic salary is the annual basic income of the principals of the enterprises.
- 2) The basic salary of chairman or president of SOEs is twice the average wage of employees last year.
- 3) The basic salary of vice president of SOEs is usually 0.6-0.9 times of the president, so as to widen differences in personal income.



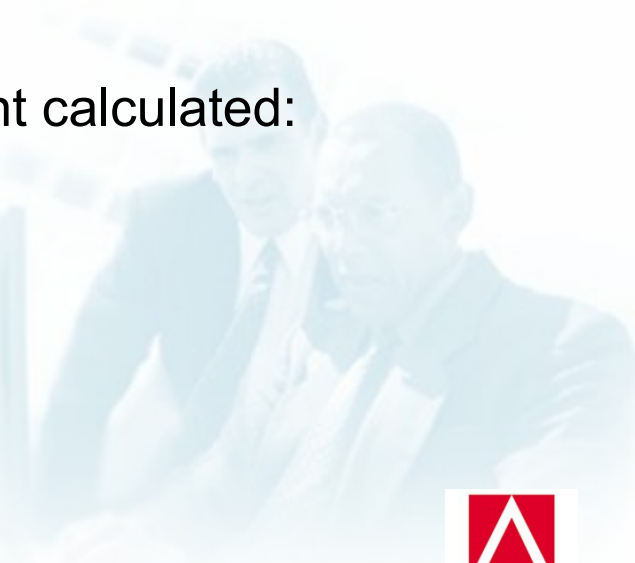
## 2. Performance Salary

Performance salary = basic salary × performance assessment coefficient × correction coefficient

Performance assessment coefficient is calculated according to the annual assessment results, with the maximum amount 2.

Here is how the performance assessment coefficient calculated:

- 1) Assessment results rank A → coefficient 1.7-2
- 2) Assessment results rank B → coefficient 1.3-1.7
- 3) Assessment results rank C → coefficient 1.0-1.3
- 4) Assessment results rank D → coefficient 0-1.0
- 5) Assessment results rank E → coefficient 0







**Correction coefficient of performance salary** is calculated according to the function, scale of operation and internationalization of SOEs, with maximum 1.5.

**Scale of operation** is decided by the total assets, sales revenue, net assets, total profit and number of staff and workers.

▲ Performance assessment system for vice presidents of SOEs is established in China, and their annual salary is closely linked to their annual assessment.



▲ Principals of SOEs who got rank E in the annual assessment could not get any performance salary.

▲ Performance salary is a one-time bonus.





### 3. Tenure Incentives

- 1) The tenure incentives is linked to the tenure assessment results of principals of SOEs.
- 2) One tenure is 3 years.
- 3) The tenure incentives is also one-time bonus, with maximum 30% of the annual salary.





▲ Tenure performance assessment system for vice presidents of SOEs is established in China, and tenure incentives is closely linked to their tenure assessment result.

▲ Principals of SOEs who got rank E in the tenure assessment could not get any tenure incentives.

▲ There will be no tenure incentives if the principals do not complete the tenure for personal reasons.





国务院国有资产监督管理委员会

State-owned Assets Supervision and Administration  
Commission of the State Council



**Thank you!**



# **Presentation on**

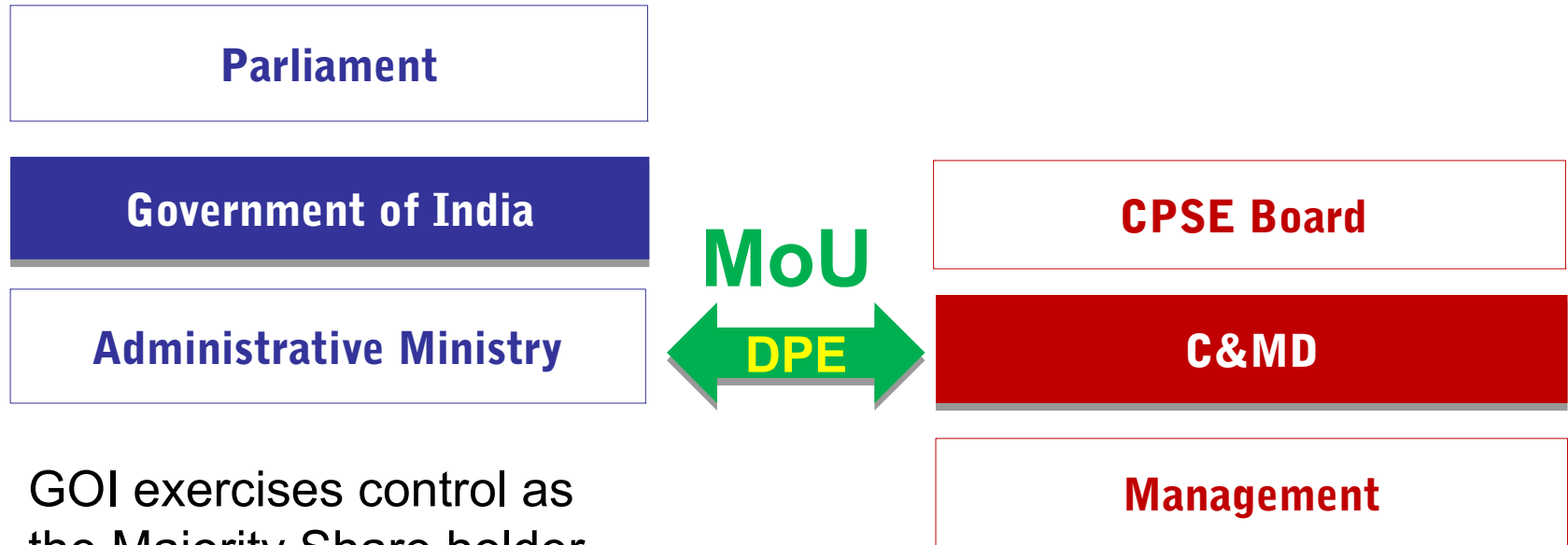
## **Linkages of Performance Outcomes with Incentives**

**By:**  
**Nishi Vasudeva**  
**C&MD, HPCL**

**New Delhi**  
**January 15, 2015**

# Memorandum of Understanding (MoU)

MoU is a Mutually Negotiated agreement



GOI exercises control as the Majority Share holder

- **Setting MoU Targets**
- **Performance Evaluation**

- **Autonomy to CPSEs**

# MoU : SMART Parameters

## 1 Financial : 50%

## 2 Non-financial : 50%

Mandatory	<b>Profit</b> <ul style="list-style-type: none"><li>Growth / Size / Activity</li><li>Profitability</li><li>Cost &amp; Output efficiency</li></ul>	<b>Dynamic</b> <ul style="list-style-type: none"><li>Project Implementation</li><li>Sales / Volume Growth</li><li>R&amp;D</li><li>Human Resource Management</li><li>CSR &amp; Sustainability</li></ul>
	<b>Productivity</b> <ul style="list-style-type: none"><li>Liquidity / Leverage</li><li>Efficiency of Asset Use</li></ul>	<b>Enterprise related</b> <ul style="list-style-type: none"><li>Technology &amp; Innovation</li><li>Productivity &amp; Internal Process</li><li>Sector / Enterprise specific</li></ul>

SMART : Specific, Measurable, Achievable, Realistic, Time bound



# Aligning MoU Objectives to Performance measures

## CPSE Vision, Mission & Objectives

- Finalized as part of MoU at the Beginning of Year
- New Strategic Areas identified for growth & profitability

## Function / SBU Level

- Director level MoA with SBUs – Annual Plan

## Field Level

- Annual Operating Plan (AOP)
- L1 to L4 Score cards

# MoU Parameters in the 4 Balanced Scorecard Perspectives

## Financial

- Gross Margin & Sales
- Profitability
- Cost & Output efficiency
- Efficiency of Asset deployed

## Customer

- Increase Brand Value
- Improve Customer satisfaction
- Increase productivity of Network
- Improve Service Delivery / Market Share

## Internal Process

- Project Management
- Productivity Enhancement
- R&D and Innovation
- Safety & Corporate Governance

## Learning & Growth

- Capability Building
- Competency Development
- High performance culture
- Talent Management

# Integrating MoU with Service and Capabilities



# BSC : Translating MoU to operational objectives

**Vision, Mission & Objectives of MoU**

**Financial Perspective**

*If we succeed how we will look to our shareholders ?*

- Profitability
- Growth
- Shareholder Value

**Customer Perspective**

*To achieve our vision, how must we look to our customers?*

- Price
- Service
- Quality

**Process Perspective**

*To satisfy our customers, what management processes must we excel at?*

- Cycle Time
- Productivity
- Cost

**Learning Perspective**

*To achieve our vision, how must our organisation learn and Improve?*

- Market Innovation
- Learning
- Intellectual Assets

1. **Targets are defined using 4 perspectives**
2. **Cause and effect is a key element**
3. **Measures are developed to Monitor Performance**



# Executing MOU : Leveraging Balanced Scorecard

## Translating and Linking MoU

- Communication
- Linking rewards to performance measures



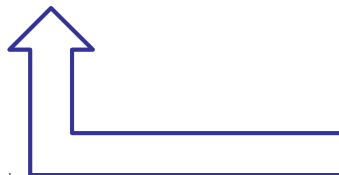
## Targets and Goal setting

- Aligning SBU Targets to MoU
- Establishing milestones



## Developing KPI (Key performance Indices)

- Development of relevant KPI
- Cascading of KPI



## Monitoring & Review

- Periodic monitoring and Review meets



**Balanced Scorecard**

# Incentivizing Performance outcomes

**MoU**

- Parameters
- Composite Score

## Key Performance Indicators (KPI)

### Monetary Incentives

### Non-Monetary Incentives

**CPSE**

- PRP Based on MoU Performance

- **MoU Excellence Awards**

**Employee**

- PRP linked to Employee performance against MoU based KPIs

- **Recognition through Employee Awards**
  - HP Icon
  - Outstanding Achiever
  - HP Gaurav



**Thank you**

**PERFORMANCE  
MANAGEMENT  
IN AGRI-BUSINESS**

*Prof. M. Panduranga Vithal*

**Indian Institute of Plantation Management  
Bangalore**



# SYNERGIZE

S T R → A → O b j e c t → T a r

**BALANCING**

*Long Term*

*Medium Term*

*Short Term*

**PERFORMANCE**

Term	Industry Association	Corporate Office	Estate Manager	Supervisory Staff	Workers
Long					
Medium					
Short					

**EPA**

**Format**

<i>Performance Criteria</i>	<i>Units of Measurement</i>	<i>Weightage</i>	<i>Criteria Values</i>				
			<i>Excellent</i>	<i>Very Good</i>	<i>Good</i>	<i>Average</i>	<i>Poor</i>
<i>Criteria</i>	<i>Units</i>	<i>W%</i>	<i>Ex- 1</i>	<i>VG -2</i>	<i>Gd 3</i>	<i>Av -4</i>	<i>Poor-5</i>

*Conventional Performance Measures*


*Dynamic Performance Measures*


**Total**

**100**

*EPRA*

**For**

*Tea Estate - A*





<i>Criteria</i>	<i>Units</i>	<i>W</i> <i>%</i>	<i>Criteria Values</i>				
			<i>Ex- 1</i>	<i>VG -2</i>	<i>Gd 3</i>	<i>Av -4</i>	<i>Poor 5</i>

***Dynamic Indicators (contd.)***

Workers out-turn	Kgs / mandays	2.5	>30	30	25	< 25	< 20
Factory throughput	kgs / hrs	2.5	(Confidential)				
Recovery	%	2.5	> 25	25	23	< 23	20
Power Ratio	kwh/ kg	2.5	< 1	1	1.19	> 1.3	> 1.5
Fuel Ratio	us/made tea (qtl.)	2.5	<13	13	14.04	>14.5	>16
Tea Waste	%	2.5	0	< 0.5%	0.5%	> 0.5%	> 0.6%
Transport	'000 (Rs.)	5	200	250	300	350	400
Deployment on Plucking	%	5	> 60	50-60	45	40	≤ 35
Total		100					

*EP A*

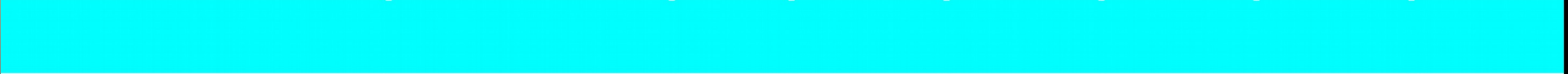
**For**

*Tea Estate - B*

*Performanc  
Criteria*








# LEARNING VALUES

- PERFORMANCE WHEN MEASURED PROVIDES A **CONVINCING BASE** FOR SCOPE FOR **IMPROVEMENT** (all parties)
- ORGANISATIONS & PEOPLE MAY KNOW THE LIMITATIONS AS CRITICAL LEARNING VALUES
- DIRECTION & SCOPE IMPROVEMENT IS CLEAR
- SUCCESS IS WAITING TO BE OURS!!!

Thank

You..