FLYING LOW: HR CHALLENGES IN THE AIRLINE INDUSTRY

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ABSTRACT

This case study describes the journey of Aakash Airways from a monopolistic environment, showing remarkable profitability, to a point where local and international competition stiffens and operational inefficiencies lead to a significant plunge in company profits. The main concerns for the newly appointed chairman are to revive the company in order to recover the huge losses, and to prepare the organization to meet the challenges of globalization and stiffer competition. The top management of Aakash Airways now has to focus on overhauling the company's Human Resource System in order to build sustainable capacity, improve productivity and service quality, and integrate different HR areas, including recruitment, job description, training, performance appraisal and promotion to achieve organizational goals. The issue requires urgent attention since time is of utmost importance, wherein the overall company performance is deteriorating and the fuel costs are expected to rise, making the situation even worse.

Keywords: *Human resource management, Change management, Airline industry, Developing countries.*

INTRODUCTION: CUP OF WOES

Aakash Airways shows $3 billion loss: Mr. Taneja steps in to take over.

4th March, 2013: Mr. Taneja has been appointed the new chairman of Aakash Airways. The Board of Directors took the decision to appoint Mr. Taneja as the chairman after the airline's financials took a $3 billion plunge within the first three quarters of the financial year 2012. Aakash Airline's performance has remained inconsistent over the past few years, with consistent losses from 2009 to 2012, showing profits for the next few years only to plunge into losses in the beginning of 2013. In the wake

of stiffening domestic and global competition and an expected increase in fuel prices, Aakash Airways' revival from its persistent financial crunch seems dubious. Further, with an increase in the demand for air travel across the globe, competition amongst international airlines is intensifying, giving more and better choices to air travelers. With these challenges at hand, not only does Mr. Taneja have to pull the company out of its losses but he also needs to maintain the airline's reputation as the national flag carrier.

As Mr. Taneja sat in his office on 5th March 2013, elated with messages of congratulations on his appointment as the Chairman of Aakash Airways, his mind could not stop thinking about the challenging task of reviving an ailing airline. Before his appointment, he was well informed of the company's situation in terms of its substandard performance and inconsistent profitability. He was also aware that in the wake of stiffening domestic and global competition, Aakash Airline's survival, let alone recover from huge losses, could be at stake.

During the last meeting between the Board of Directors and Taneja, the top management team had discussed Aakash Airways' major problems and their causes. The team was of the opinion that Aakash's Human Resource System required immediate overhauling. It was agreed that by revitalizing the Aakash Airways' Human Resource System, the company would be able to solve its long-existing problems, build sustainable capacity and prepare the organization to meet the challenges of globalization and stiffer competition.

Along with these discussions, Mr. Taneja was also handed a research report containing a thorough analysis of Aakash's Human Resource (HR) department. Taneja knew that the results of this research were extremely important for identifying and assessing the HR problems being faced by the organization. He personally felt that specific changes in the human resource practices of Aakash Airways had to be proposed along with an implementation plan in order to upgrade the company's performance and standards.

AN OVERVIEW OF THE INDIAN AIRLINE INDUSTRY

2008 was particularly a bad year for the airline industry across the world. Before this, only 2001 was as bad in the near past. Carriers, in

general, struggled to stay afloat; a few of them approached bankruptcy (for instance, in the USA, Aloha, established in 1961, ATA Airlines and Skybus, established a year before). According to the International Air Transport Association (IATA), two-dozen airlines had discontinued operations after going bust in the few peak oil price months of 2008 and many more bankruptcies were expected over the subsequent months if crude oil prices continued to soar. It was almost an industry-wide crisis. Luckily, in India no airlines failed; but, all of them heavily lost money. The combined loss of Indian carriers during December 2012 and January 2013 was projected at Rs.2 billion. In 2011-12 the loss was nearly US$1 billion and the expectation for 2012-13 was about $2 billion. There were indeed speculations of collapse of a few carriers. A timely intervention by the government and an improvement in the fuel scenario, however, pre-empted an airline disaster. Still, in early 2012 the airlines did not appear to be in any better shape. As an indication, Kingfisher Airlines (KA) defaulted on aircraft lease rentals and the lessor, GE Civil Aviation Services, had requested the Director General of Civil Aviation (DGCA) to de-register the concerned planes. (KA had to obtain a court stay order against GE Civil Aviation Services' attempt to get the planes de-registered.) KA was saddled with huge losses. Jet Airways (JA), struggling with large losses, were expected to break even in 2009. SpiceJet too was looking for a breakeven in 2009-10.

The immediate problem of 2012 to the airlines was twofold – a dramatic rise in the cost of operations and a steep fall in passenger traffic. Rise in the cost of operations had its main root in the skyrocketing fuel cost – crude oil prices in the world market increased from about US$60 per barrel in April 2007 to over $150 per barrel by July 2012. (See Figure 1 for trends in international (US) crude oil prices.)

Fuel charges accounted for a third to two-fifth of the operating cost of airlines. Air traffic fell in November 2012 by a fifth over November 2011. By this time, struggling airlines effected huge hikes in air fares. There were escalated terrorist fears also played a role at least in the last few months of 2012. The load factor of carriers was expected to fall to 40% for full carriers and 45% of low cost carriers in the tourist season starting in end-2008 (as compared to 60% in November 2012).

There were other ominous signs. Demand growth had slowed down to 18-20% in January-March 2012 itself. The onset of a global economic slowdown was manifest.

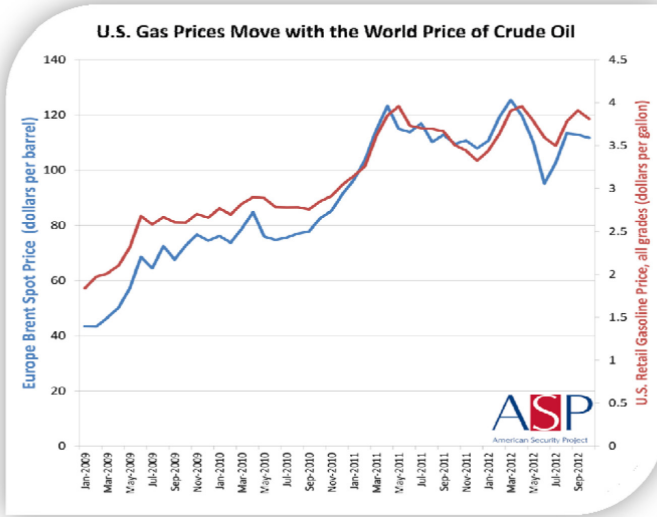

Figure 1: Trends in International (US) crude oil prices

According to one observer, the Indian airline industry suffered from over-capacity and intensive competition. Airline revenues have fallen sharply. There was strong competition from road and rail services. There was a rise in various costs. One complaint was that the ATF cost in India is higher as compared to international prices; by at least 30% due to certain taxes (one estimate puts this difference of up to 70%). Domestic airlines were suggested to require fleet rationalization. Excess capacity was a global problem and innovative methods were considered necessary to boost revenue. In the case of Air India (AI), the public carrier operating international routes, it has been found that it faced, apart from high fuel prices, increased interest burden of new aircraft orders, personnel shortages, inability to cope with competition and a worsening image. AI and Indian Airlines (IA), the public carrier operating domestic and Persian Gulf routes, had extreme capacity constraints. 60% of AI, IA aircraft acquisition were for replacement of old aircrafts and only 40% was for growth. NACIL (the entity emerging out of AI-IA merger) is exploring an equity infusion from the government to meet its capital needs. Air Deccan suffered from, according to observers, a poor performance record. A survey showed the brand value of Air India at the bottom, below SpiceJet and IndiGo. It was attributed to poor on-time performance, ground handling, and in-flight services. There was reference to logistics problems too. As the Ministry of Civil Aviation itself had recognized, connectivity to airports was a problem in many cities.

Airport congestion used to be a regular feature in the major airports in India. Ground handling charges in Indian airports were alleged to be much higher than abroad. All these were said to add to cost and cause performance problems for airlines.

Table 1

Players in the Airline Industry

Airline	Year of commencement	Nature of service	Current status	Year of closure
Air India (AI)	1946	Full	Running	
Air India Express	2005	Low Cost	Running	
Air Sahara	1993	Full	Merged with JA	2007
Alliance Air	1996	Full	Defunct	2007
Air Deccan (AD)	2003	Low Cost	Merged with KA	2007
GoAir	2004	Low Cost	Running	
Indian Airlines	1953	Full	Merged with AI	2007
Indigo Airlines	2006	Low Cost	Running	
Jet Airways (JA)	1995	Full	Running	
Jet Lite	2007	Low Cost	Running	
Kingfisher Airlines	2005	Full	Running	
Paramount Airways	2005	Full	Running	
SpiceJet	2005	Low Cost	Running	
Damania Airways			Defunct	
East-West Airlines	1992		Defunct	
ModiLuft	1994		Defunct	1996
NEPC Airlines			Defunct	

Source. Sancharan Roy, 2011.

AAKASH AIRWAYS

COMPANY BACKGROUND

Aakash Airways came into existence in the year 1962. The Company was formed by the merger of merged with Icon Limited and Zodiac

Limited. The Company traces its roots to the pioneering efforts of an industrialist with extraordinary vision, the late Dr. Vivek, who set up Aakash Airways Hyderabad in association with the erstwhile princely State of Mysore in December 1945. The Government of India became a shareholder in March 1941 and took over the Management in 1947. Today, Aakash Airways have had 29 Production Units and 11 Research and Design Centers in 7 locations in India.

Transport Aircraft and Cars have also been supplied to Airlines as well as State Governments of India. The Company has also achieved a foothold in export in more than 30 countries, having demonstrated its quality and price competitiveness.

HELICOPTER DIVISION

Aakash Airways's involvement with rotary-winged helicopter dates back to June 1966 when, to meet the Indian Air Force's requirement for helicopters, the Government of India signed a license agreement with M/s SUD-AVIATION (Presently M/s EUROCOPTER, France). The first helicopter type to be built at Aakash Airways, Hyderabad was the model A, later named the Model 1 with firm orders was placed in January 1968, the "raw material" production phase beginning in 1969-70.

The different divisions of Aakash Airways include Manufacturing division, MRO (Maintenance Repair and Overhaul), the Barrack pore division where old aero planes and helicopters are repaired, composite manufacturing division and RWRDC (Rotary wing research and design center)

MAINTENANCE & REPAIR DIVISION

The Maintenance division first started its operation from Dec 2006 to provide dedicated service and lifetime support to Aakash Airways. The objectives of the Division are to provide end to end life cycle support to the aero planes and helicopters and enable customer achieve high fleet service ability levels, to liaise with design and OEM on improvements, up gradations and modifications to improve helicopter reliability. More importance is also laid on establishment and maintains supply chain for ROH spares for uninterrupted flying and to provide warranty support for the product.

LITERATURE REVIEW

HRM in modern enterprises has two main purposes:

(1) to foster the performance of an enterprise and

(2) to act as a support for achieving a worker competitive advantage (Pološki and Vokić 2004).

The majority of HR scholars provides evidence sound HR systems contribute to productivity improvement and enterprises using approved and/or innovative HR practices financially outperform those enterprises not using them. They explore the foremost benefit of high-quality HRM (organizational performance) but seldom take a second step of investigating its relationship with organizational competitive advantage, as resourced based investigations do. Resource-based researchers are striving to provide evidence that the development of an effective HR system can play a major role in the creation of a workforce competitive advantage. Enterprises need to continually invest in employees' knowledge, skills, motivation and behaviors, as well as preserving the required number and structure of employees. HR acts as a differentiating asset solely when it is wisely managed, the strength of the firm's HR system is unquestionable, and an enterprise has a high-performing HRM. Accordingly, the value of human resources in an enterprise can rise, decline or maintain the same level, depending on how those assets are managed. HRM is the key factor for increasing employees' productivity, meaning HR practices turn employees into a resource for development and a source of competitiveness.

Consequently, the starting point for enterprises wishing to manage their human capital successfully and seeking a labor competitive advantage is activities of HR department. Because employees are currently considered a basic source of competitive advantage, enterprises find it extremely important to invest in their recruitment, selection motivation, compensation and benefits, trading and development, retention, etc. and to constantly strive to improve and implement best HR practices. HRM is playing an increasing important role in contemporary enterprises and, therefore, HR practices should be fully integrated in competitive management systems. In a modern world, the competitive advantage of an enterprise result of its employees; thus, HR should act as a strategic partner. In today's business world, competent employees are hygiene factors and high performance work systems are motivators (Herzberg 1966).

Table 2

Academic findings in relationship between HRM and labor competitive advantage

Authors	Findings
Snell and Dean (1992)	HR practices enhance the firm's competitive position by creating superior human capital (skills, experience and knowledge) that contribute to firm's economic value
Swiercz and Spencer (1992)	HRM could be a valuable asset and tool of corporate strategy.
Wright et al. (1994)	The correct mix of HR practices is necessary for maximum effectiveness of the HR capital pool.
Boxall (1996)	By hiring and developing talented staff and synergizing their contribution within the firm's resource bundle, HRM may lay the basis for a sustained competitive advantage.
Boxall and Purcell (2000)	HR practices may build the human capital pool and stimulate human behavior to create an advantage.
O'Reilly and Pfeffer (2000)	Companies need cultures and systems where great people can actually use their talents and, even better, management practices that produce extraordinary results from almost everybody.
Bontis and Fitzenz (2002)	For senior managers to manage the dynamic changes of turbulent economic environments and filter the massive sources of information into knowledge (or, better yet, wisdom), an integrated perspective of human capital management plays a considerable role.
Chen et al. (2003)	HR activities are frequently acknowledged to play a central role
Chen et al. (2003)	HR activities are frequently acknowledged to play a central role in linking employee capabilities with the performance requirements of a firm.
Laursen and Foss (2003)	Strategy scholars have argued human resources are particularly likely to be sources of competitive advantage and, therefore, HR practices should be central to strategy.
Verreault and Hyland (2005)	Elements of human capital management are central to the successful implementation of most other management initiatives and achieving the firm's strategic goals.

COMPANY PERFORMANCE

Aakash Airways was one of the biggest corporations in Asia in 1991. It was the first airline in the region to operate scheduled helicopter services. Moreover, Aakash Airways were amongst the first Asian airlines to induct the new technologically superior Boeing 737–300 aircraft and show in-flight movies on international routes. Aakash Airways was ranked a 3-star airline according to Skytrax (a Star Rating system for the world airline industry). A 3-star airline was defined as an airline showing a fair quality performance that conformed to an industry 'average' when assessing all areas of competitive ranking. It also specified a satisfactory standard of core products across most travel categories, but reflected less consistent standards of staff service and product delivery, either on board or within the airport environment. One area where Aakash Airways showed better results was the seat utilization factor. Aakash Airways were comparable to the most highly rated airlines, like Kingfisher with regard to seat utilization.

There was considerable demand for Aakash Airways, but turning that demand into profitability and a quality image for the organization was a major concern for Mr. Taneja. Over the past five decades, Aakash Airways' performance had been affected by certain uncontrollable factors. Political interference within the company during the 1990s was the beginning of its economic and operational inefficiencies. A large number of employees were recruited on a non-merit basis, which was a crucial element in effecting the efficiency levels in a highly service oriented industry. The organization was unable to benefit from the large pool of employees who were de-motivated and lacked training, leading to increased inefficiencies in company operations.

HUMAN RESOURCE SYSTEM AT AAKASH AIRWAYS

The key functions of the Human Resource System at Aakash Airways were thoroughly investigated by a group of experts. At the end of their investigation, the experts presented a report that contained key characteristics and procedural details of human resource functions. The information below is based upon the findings of the report.

RECRUITMENT

The selection and recruitment process at Aakash Airways was initiated with the determination of vacancies by respective departmental heads.

Upon receiving requests from different departments, the Employment Section advertised the positions, qualifications and experience required from prospective candidates in the national dailies. The Employment Section, assisted by the concerned department, and then screened the job applications.

Subsequently, tests and interviews for the shortlisted candidates were scheduled. The Selection Board then conducted interviews of the shortlisted candidates. Each member of the Board individually completed the candidate's assessment report after the interview. The Selection Board comprised the Board President and General Managers from Marketing, Finance, Airport Services, Corporate Planning and Human Resource departments and a representative from the concerned department. The final assessment of the candidate was completed after averaging the scores from each person in the Board. All appointments were made by a 'competent authority' on the recommendations of the Selection Board.

Aakash Airways preferred hiring candidates in batches. After their selection, they were employed as Trainee Officers. Foreign-qualified candidates were inducted directly into Pay Group 6. The newly hired candidates were initially placed in a training program for about 20 weeks, after which they were transferred to relevant functional departments. A separate Board comprising the Director Administration, GM Human Resources and Principal Aakash Training Centre (OTC) determined the suitability of the Trainee Officers through interviews for their placement in functional departments. On humanitarian grounds, dependents of deceased/retired/serving employees of Aakash Airways were given a relaxation of the minimum grade required for a position, along with five bonus points in their assessment.

Selection and recruitment decisions at Aakash Airways were significantly influenced by political interference. Employees were extremely concerned about this practice in the organization. According to one employee:

The issue of political influence is an inherent problem in most public sector organizations in our part of the world. Organization needs to be privatized or a tough stance needs to be taken by the higher officials of the company. Only then can such practices be eliminated.

Moreover, the employees also considered the induction process as inefficient in meeting the requirements of the different departments.

The employees felt there was a lack of coordination between the HR department and the functional departments during the induction process. A few department heads commented:

Aakash Airways had a philosophy of selecting candidates in batches, training them in the Aakash Training Centre and across different departments for about 18 weeks and then placing them in various departments. In the absence of a proper system to forecast HR needs, the number of people hired was always different from the actual required.

TRAINING

According to Aakash Airways training policy, the department head could ask any employee in his department to participate in a training program at any time. Once this was decided, the department head made the budget estimates required for the training. The training could be provided within the country or outside and the expenses were borne by the organization. The duration of the training program was decided and approved by a competent authority. The competent authority comprised area heads at foreign stations within their respective territories—directors, deputy managing directors and managing directors. Apart from the training of existing employees, Aakash Airways had a planned training module for fresh inductees who were trained for about 20 weeks prior to being placed in a particular department.

According to the company policy, any employee who completed the training program was required to sign a surety bond to serve Aakash Airways after the training and if he/ she left the organization before the expiry of the bond, the remaining amount had to be paid by the employee. This bond was not applicable to training related to administration/ refresher/professional courses for specific trades within the country, arranged by the Aakash Airways Training Centre. Employees were permitted to acquire training at their own expense, but it would not have any impact on his or her promotion.

The reporting structure of Aakash Airways was such that each subordinate was reporting to multiple bosses. All bosses had to unanimously agree for an employee to be selected for training. According to an employee, 'Usually, only one of the bosses selected a subordinate. Under normal circumstances, it was rare for all the bosses to unanimously agree.' Apart from this, employees also felt that a training-need analysis should be

conducted because, currently, the training had no relevance to their jobs (refer to Exhibit 2 for further insight into problems related to training).

PERFORMANCE APPRAISAL

The performance appraisal system, introduced on 18 October 2005, was based on normal distribution represented by a bell curve. Under this system, appraisals were conducted annually, wherein employees were evaluated by their immediate supervisor (reporting officer) and by the next supervisor (finalizing officer). Appraisals began at the beginning of each year when each employee determined his or her own objectives for the coming year using the Employee Action Review Form EAF-1. Subsequently, the employees' performance was evaluated at the end of the year through Form EAF-2 (refer to Exhibit 3 to EAF forms).

EAF-2 comprised six parts—Part A to Part F. Part A included information about the employee's previous year's experiences and his motivation level. It was filled by the employee himself. Part B was filled by the reporting officer who evaluated the employee on a scale of 1 to 5 against 17 stated objectives, broadly classified into work methodology, effectiveness, personal qualities and work knowledge. In Part C, the reporting officer commented on the significant findings and improvement needs of the employee, based on the mean score of EAF-1 and EAF-2. Part D was completed by the next superior reporting officer to endorse or give a different opinion. Parts E and F were filled by the reporting officer to give the final rating, on a scale of 1 to 5, to the employee and endorse the final training and development needs of the respective employees. After the evaluation was completed by both the officers, a face-to-face meeting between the appraiser and the appraisee was conducted to discuss the performance of the appraisee.

General employee opinions revealed that a majority of the employees in the organization lacked the aptitude to cope with modern management practices including the newly adopted appraisal system. As explained by one of the newly recruited employees:

Most people working at Aakash Airways have no understanding of the appraisal system based on the bell-curve system. Despite the training given to them, they are unable to implement it efficiently. As a result, most employees consider the new system as a burden instead of an effective tool for improvement. Another employee commented:

Since, we as employees report to more than one boss, a majority of us are unaware as to which one of our bosses would evaluate us at the end of

the year. This creates confusion and lack of clarity. The multiple reporting lines also create unnecessary bottlenecks in the administration system, which leads to delays in decision making. (Refer to Exhibit 2)

PROMOTION

According to Aakash's philosophy, all promotions should be based on ability as demonstrated by performance and not on seniority. The eligible candidate should be a graduate (no specialization required), have five years experience in each cadre with an above average record for three of the last five years, as determined by the performance appraisal. The promotion for a particular employee depended upon the nature of the contract with the respective employee and the job position, which meant that the promotion process for a pilot would be different from that for a flight engineer.

Furthermore, employees were to be promoted according to the vacancies available, whereas the standby would be considered in the following year along with fresh candidates. No priority would be given to the standby employees next year and they would be evaluated equally with other candidates. In case of employees posted abroad, promotion to senior positions in their respective grades was assured on return. However, a six month probation period was mandatory after each promotion. Since Aakash Airways was a publicly owned company, many of its HR practices were a reflection of its distinctive organizational structure and culture.

The airline had a tall organizational structure and operated on the system of corporate governance, which in a lot of aspects was not based on modern management practices. With more than half of the employees working as middle-level management, the organizational structure was more of a balloon-type structure rather than a pyramid one.

This was one of the major drawbacks of the current system as pointed out by one of the middle-level managers, 'Such a structure limited the chances of promotion for most middle-level employees, since so many of them were competing for only a limited number of available top-level positions.' Favoritism was a dominant aspect of the organizational culture at Aakash Airways.

While unanimously agreeing with such an opinion, most employees reaffirmed that:

At Aakash Airways, decisions related to promotion, training or even recruitment was left up to the discretion of the bosses rather than being determined through merit or high performance. For instance, while conducting performance evaluations, the bosses would place their favorites in the upper percentiles of the bell curve and the more deserving were placed in the lower quartiles (refer to Exhibit 2).

THE DECISION

As Taneja read through the information provided in the experts' report, he knew that the findings were extremely crucial for planning and implementing a change in the HR system at Aakash Airways. Taneja thought that the best way to proceed would be to involve the top management and conduct an HR planning exercise to analyze the organization's human resource needs and develop strategies to integrate different HR areas (such as recruitment, job description, training, performance appraisal and promotion) in order to achieve organizational goals.

The report provided some relief to Taneja. However, he was well aware that time was of utmost importance because the overall performance of the company was deteriorating and fuel costs were also expected to rise, making the situation even worse. He wondered how quickly and effectively an HR plan could be designed and implemented to address the current situation for improving productivity and service at Aakash Airways.

CONCLUSION

As was studied in the case, the company exists within an external environment that has many implications for recruitment. Governmental policies for local employment and diversity within a workforce need to be upheld. As an organization, internal QA procedures need to be followed. The Human Resource Department strives to effectively steer Aakash airways' recruitment policy through the internal and external forces that impact on the process. The top management of Aakash Airways now has to focus on overhauling the company's Human Resource System in order to build sustainable capacity, improve productivity and service quality, and integrate different HR areas, including recruitment, job description, training, performance appraisal and promotion to achieve

organizational goals. The issue requires urgent attention since time is of utmost importance, wherein the overall company performance is deteriorating and the fuel costs are expected to rise, making the situation even worse.

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EXHIBIT 1

AAKASH AIRWAYS' VISION AND MISSION

Vision Statement

'Aakash Airways to be an outstanding profitable airline performing beyond customer expectations through dedicated employees committed to quality.'

Mission Statement

Employee teams would contribute towards making Aakash Airways a global airline of choice by:

- Offering quality customer service and innovative products
- Participating in global alliances
- Using state-of-the-art technologies
- Employing cost effective measures in procurement and operations
- Achieving adequate returns for all stakeholders
- Being an equal opportunity employer
- Providing competitive compensation and a congenial work environment
- Adhering to business ethics and zero tolerance for corruption
- Fulfilling our Corporate Social Responsibility (CSR) in all fields.

Core Values

- Customer Expectations: Convenience, care and competitive staff
- Service: Personalized and courteous
- Innovation: Cherishing new ideas and translating them into actions
- Reliability: Loyalty and consistency
- Safety: Passengers, employees, environment and health
- Cohesiveness: Respect for individuals, team work and effective communication
- Integrity: Business ethics, accountability and transparency.

EXHIBIT 2

EMPLOYEE FEEDBACK

Overall Employee Comments:

The employees' opinion regarding major HR problems and their causes is presented in the following table along with the percentages of people who believed that a particular problem existed in the organization:

Employee feedback

HR Function	Problem	Cause
Recruitment	Political Influence on hiring decision (53%).	Public sector governance.
	Inappropriate allocation of new recruits.	Lack of coordination between manpower and operational departments during induction.
	Lengthy induction process, resulting in a difference in the number of people hired and those required in each department.	Eighteen-week training period prior to placement.
	The interviewer's lack of relevant knowledge.	At times the designated interviewer does not appear in the interview panel.
Training	Lack of focused induction-level training (61%).	Intervention during the training period to meet the demand of the concerned departments.
	Lack of need-analysis of training and mismatch between training and job requirement (69%).	Absence of clear policies are those necessary to plan HR needs and facilitate career development.
	Inadequate training infrastructure (55%).	Lack of human capital to facilitate training.

(continued)

HR Function	Problem	Cause
	Supervisors' disapproval to relieve subordinates for training (56%).	Supervisors try to avoid the extra pressure of work resulting from the absence of these subordinates; their lack of understanding regarding importance of training in achieving long-term objectives.
Performance Appraisal	Lack of merit-based evaluation (69%). Lack of understanding of the bell curve and unclear appraisal forms (62%). Appraisers do not measure performance against objectives and the reporting structure of the organization is unclear (66%). Very little feedback during the year (56%).	Prevalent culture of favoritism and political influence. Managers consider the new system as an unnecessary burden; lack of proper training in filling the appraisal forms. Multiple supervisors and unclear reporting lines. Policy of conducting evaluation only once a year.
Promotion	Merit is not the criteria on which promotions are based (59%). The minimum period of five years for the eligibility of the next promotion is too long (70%).	Nepotism and political influence. Laid-back culture; administrative bottlenecks; balloon-type hierarchical structure with too many middle level employees present.

Employee feedback segmented according to employee positions in the organization:

Young Officers and Fresh Recruits

Employees who were young with an average age of 27 years had the following concerns:

- Job interviews are not relevant to job requirements.
- Jobs are not created according to the basis of work requirements.

- Job requirements are not clearly explained in job advertisements.
- Jobs are not clearly explained by the supervisors.
- They have multiple bosses and supervisors to report to.
- Training-need analysis is not done.
- Training is not relevant to the requirements of the job.
- Job dissatisfaction.
- They do not have independence in their jobs.
- They do not feel that their job is significant towards the overall success of the organization.
- Job descriptions are not clearly explained or written down.

On the other hand, there were positive viewpoints on the following:

- Satisfied with the promotion policy.
- Found the bell curve to be good.
- Felt that induction-level training was adequate.

Middle-age Group and Middle Management

Employees belonging to the middle level management with the average age of 42 years had the following concerns:

- Appraisal form is unclear.
- Regular performance discussions are not held.
- Sports based factor influences the hiring process.
- Supervisors do not release good people for training.

High-level managers and seniors

Senior level management employees who were 50 years and above were concerned about the following:

- Find the appraisal form to be unclear.
- Performance is not discussed with them after the performance evaluation.
- Highly against bottom-up evaluation.
- Merit is not considered during the appraisal.
- Feel strongly about the bell curve and that it is ineffective in distinguishing between good and bad employees.

They had positive viewpoints on the following:

- Job description is relatively clearer to them.

- They are not rotated frequently and are settled in one job for a longer period.
- They want to acquire training in their field like marketing, finance, etc.
- They feel that they lack adequate IT knowledge and would like to get more IT training.

EXHIBIT 3

Employee Action/Review Form-1 (EAF-1)
(To be filled with consultation of the Reporting Officer)

Name: .....

Period of review: From ..... To .....(Year)

Designation: .....

Section/Department: .....

Age: .....

Qualifications: .....

Present pay group: .....

Assignment held during the period: .....

Sl. No	**OBJECTIVES PLANNED For the next review period**	**ACCOMPLISHMENTS To be filled at end of the review period**	**REPORTING OFFICER'S ASSESS-MENT Score**
1			
2			
3			
4			
5			MEAN SCORE
	Employee Signature: Reporting Officer's signature: Approved by the next superior officer:	 Signed by the employee: Date:	Assessed by Reporting Officer: Date: Approved by next Superior Officers: Date

Employee Action/Review Form-2 (EAF-2)

Name: .....

Period of review: From ..... To .....(Year)

Designation: .....

Section/Department: .....

Age: .....

Qualifications: .....

Present pay group: .....

Assignment Held During the Period: .....

Part A: Job Review (To be filled by the employee)

Sl. No	Job Review
1	In relation to your work how has the past year been (give reasons)?
2	What do you like/dislike about working at Aakash Airways (give reasons)?
3	What areas of your job do you find difficult (specify)?
4	What areas of your job do you find the most interesting (specify)?
5	What kind of work would you like to be doing in three to five years time?
6	What type of training/skills development would benefit you in the next year?

Employee's Signature: Date:

Part B: **Performance Appraisal** (To be filled by the Reporting Officer)

Score the employees capability in the following areas in terms of their current job requirement and as per Employee Action/Review Form (EAF-1)

Sl. No	Work Methodology—How He/ She Works?	Score
1	*Planning*: The extent to which the employee is effective at developing goals and strategies for future action.	
2	*Organizing*: The extent to which the employee demonstrates effectiveness at finding potential obstacles and difficulties, then reaching appropriate conclusions and solutions.	
3	*Problem-solving*: The extent to which the employee demonstrates effectiveness at finding potential obstacles and difficulties, then reaching appropriate conclusions and solutions.	
4	*Resourcefulness*: The extent to which the employee demonstrates effectiveness in creating solutions and/or finding new and better ways of doing things to assure accomplishment of goals.	
5	*Communicating*: The extent to which the employee demonstrates effectiveness at conveying meaning and obtaining understanding with written and/or verbal communication.	
6	*Productivity*: The extent to which the employee produces a significant volume of work within a specified period of time.	
7	*Quality*: The extent to which the employee demonstrates effectiveness at producing a high degree of excellence regarding the results of his efforts.	
8	*Cost objectives*: The extent to which the employee demonstrates effectiveness in meeting cost objectives in operating at lowest cost with minimum manpower and optimal utilization of resources.	
9	*Profit objectives*: The extent to which the employee demonstrates effectiveness in meeting profit objectives and in generating and proposing/implementing new money making ideas.	

Additional criteria/comments
Personal qualities—what he/ she is:

Sl. No		**Score**
1	*Drive*: The extent to which the employee exhibits ambition, energy, enthusiasm, motivation and effort towards accomplishment of tasks and/or goals.	
2	*Initiative*: The extent to which the employee is self-starting and demonstrates ambition, drive, motivation and readiness when undertaking tasks/projects.	
3	*Reliability*: The extent to which the employee is effective at task completion and follow-through in relation to self and/or subordinates.	
4	*Team orientation*: The extent to which the employee demonstrates the ability and desire to collaborate with peers, subordinates and/or supervisors to reach/develop conclusions beneficial to the group.	
5	*Time management*: The extent to which the employee organizes and manages his time effectively and efficiently.	

Work knowledge—what he/ she knows

Sl. No		Score
1	*Company vision/mission/objectives*: The extent to which the employee has knowledge of company's structure, management philosophy and future goals.	
2	*Job knowledge*: The extent to which the employee possesses practical and/or technical knowledge to perform his job effectively.	
3	*Customer knowledge*: The extent to which the employee has information and understanding of a customer's characteristics such as common needs, demographic similarities, industries, etc.	

Part C: Performance Assessment of Individual

Please summarize employee performance appraised in EFA-1 and Part B of EFA-2 and record significant findings with Final Assessment Score and also summarize the employee's improvement and training/development needs.

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Signature and Name of Reporting Officer: **Date:**

Part D: Assessment and Remarks of Superior Reporting Officer

Remarks to include the endorsement of remarks as well as evaluation by Reporting Officer. In case of difference in opinion with the assessment, own recommendation be given with specific reasons.

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Signature and Name of Reporting Officer: **Date:**

Employee comments on his/her performance review, if any:

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Signature of Employee: **Date:**

Part E: **Overall Employee Performance** (Based on mean points secured in Part C)

5 – Outstanding or exceptional performance.
4 – Very good, performance is definitely better than normally expected.
3 – Good, performance that consistently meets the requirements of the position.
2 – Needs improvement.
1 – Inadequate performance.

Outstanding	*Very Good*	*Good*	*Needs Improvement*	*Remarks*

Part F: **Training and Development Needs**

Sl. No.	Courses	Date of completion	Remarks

Signature of Reporting Officer: Name:
Designation and Seal
Final comments of the Review Board:

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Signature of Official Review Board: **Name:**
Designation and Seal: