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# A STUDY ON PERFORMANCE APPRAISAL OF EMPLOYEES IN PRIVATE INSURANCE COMPANIES WITH REFERENCE TO SALEM DISTRICT.

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***Abstract***
*Insurance industry is part of immune and repair systems of an economy. Successful operation of the industry sets impetus for other industries and development of an economy. This article focuses on performance apparaisal system in insurance corporations in general, based on the principles of performance management in service organizations. Identifying the managerial practices and measures, those make insurance corporations effective and efficient, is the epitome of this article. Right from strategy formulation to evaluation of performance of organizational units, various aspects of performance appraisal are covered in this article. It is a theoretical attempt to suggest key performance indicators and success factors for performance management in insurance companies.*

**Introduction To Insurance**
Insurance is a contract between an individual (the policyholder) and an insurance company. This contract provides that the insurance company will cover some portion of a policyholder's loss as long as the policyholder meets certain conditions stipulated in the insurance contract. The policyholder pays a premium to obtain insurance coverage. If the policyholder experiences a loss, such as a car accident or a house fire, the policyholder files a claim for reimbursement with the insurance company. The policyholder will pay a deductible to cover part of the loss, and the insurance company will pay the rest.

Insurance in its pure form is a social good and in a number of cases can be classified as a public good (that is, it generates desirable externalities). Insurance companies, mutuals and cooperatives enable individuals and firms to protect themselves against infrequent but extreme losses at a cost which is small compared to the feared loss. They do this through the workings of the law of large numbers and the central limit theorem which ensure that a sufficiently large number of reasonably homogenous risks will produce well behaved and highly predictable aggregate results following a roughly Gaussian loss distribution. Life insurance contracts can be for short periods (for example, accidental death) or very long periods (for example, whole of life). In consequence life insurance can intrinsically include a savings element, and in many late transition and industrial countries this component dominates funds flows in the sector. This flow of funds effect can be exaggerated by the fact that in recent decades the life insurance sector has begun to compete directly with mutual funds and unit trusts through unit linked contracts offering a life insurance 'tax wrapper'. Non-life insurance contracts, which insure material and financial risks, typically run for one year and are renewed on the basis of updated risk information. Given its fundamental role in spreading risk it is not surprising that references to insurance can be found in antiquity. A form of risk sharing for marine ventures known as bottomry (not unlike modern catastrophe bonds in concept) was in existence more than two

**Introduction To The Insurance Industry**
Millennia ago. Non-life insurance in its modern form (also known as Property and Casualty or P&C, and general insurance) became established in Italian cities such as Genoa in the fourteenth century to support their active marine based trading activities, with the first regulation appearing in 1336. The concept spread rapidly to other parts of Europe and eventually to the New World. Life insurance goes back to at least Roman times when funeral societies became popular. Various forms of insurance have been banned from time to time for religious reasons (for example fire insurance was shunned in Southern Germany for a period because it was seen as prevented God from exercising his displeasure) and because of fraudulent or morally questionable schemes such as tontines and pyramid arrangements. The growth of the sector was most rapid in the United Kingdom, largely because of a long-standing liberal approach to markets, and the U.K. remains the most 'insured' country in the world However

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the modern approach to the prudential regulation of the insurance sector was largely pioneered in the United States in the nineteenth century, and in Massachusetts in particular. Insurance by its nature is an intangible good, involving payment in advance for an unknowable quality of delivery in the future. Thus trust is a critical element, and public good classes such as health, disability and work place injury or illness have to date often been delivered through state entities. However most classes of insurance are usually delivered through private markets and insurance regulation tends to reflect solvency concerns and information asymmetry between suppliers and policyholders: many countries have explicit reference to insurance contracts in their civil codes and specialized laws including specific provisions for retail (B to C) markets. As fiscal pressures mount there is an increasing trend to entrust more social good classes, such as workman's compensation and annuities, to the private sector and this adds to the pressure for effective market conduct and prudential regimes. Government intervention to enforce mandatory insurance (most commonly motor third party, workman's compensation and constructors all risk) aside, private insurance markets form naturally when risk aversion ensures that individuals will pay more than the expected loss in order to hedge against the possibility of a loss that is large relative to available resources. The reason that the market premium is greater than the expected loss is that the expenses of running the business need to be factored in, together with the cost of the capital set aside to underwrite the risks involved. Typically the market premium is not greatly in excess of the expected loss for most common classes such as motor collision insurance, where claims are relatively frequent (around 11 to 15 percent annually) and the average claim size is small, thus generating statistically credible databases. However the cost of capital can dominate where large elements of uncertainty exist and systemic events can affect many risks at once, such as credit insurance and natural disasters coverage. A major industry subset, the global reinsurance sector, has largely arisen from its ability to modify the frequency and claims profile of a direct insurer at a price that is efficient for both parties (that is, reinsurers are insurers of insurers). For a typical mature non-life insurer in an industrial country the net cost of reinsurance in a normal year accounts for approximately 8 percent of gross premium revenues. However reinsurers also effectively 'lend' capital to rapidly growing insurers (both life and non-life and sometimes known as surplus relief reinsurance) and the proportion reinsured can be much larger in emerging markets. The reinsurance sector has also been the core source of technology transfer between developed and developing markets and is the subject of Module 2 of this series. Given the balance sheet risks involved, the capital management of insurers bears some resemblance to that of banks. In both cases it ideally reflects a desire to set some upper limit on the probability of failure within a defined period of time. Hence elements such as market, credit and operational risk are increasingly reflected in solvency regimes as various countries introduce risk based supervisory regimes. However insurance capital determination is considerably more complex as both sides of the balance sheet are stochastic in nature (liabilities are the present values of uncertain future obligations) and the correlations between liability and asset risks can be much less obvious than for banks.

**History Of Insurance Sector**

The business of life insurance in India in its existing form started in India in the year 1818 with the establishment of the Oriental Life Insurance Company in Calcutta. Some of the important milestones in the life insurance business in India are given in the table 1.

**Table 1: milestone's in the life insurance business in India**

| Year | Milestones in the life insurance business in India |
|---|---|
| 1912 | The Indian Life Assurance Companies Act enacted as the first statute to regulate the life insurance business. |
| 1928 | The Indian Insurance Companies Act enacted to enable the government to collect statistical information about both life and non-life insurance businesses. |
| 1938 | Earlier legislation consolidated and amended to by the Insurance Act with the objective of protecting the interests of the insuring public. |
| 1956 | 245 Indian and foreign insurers and provident societies taken over by the central government and nationalised. LIC formed by an Act of Parliament, viz. LIC Act, 1956, with a capital contribution of Rs. 5 crore from the Government of India. |

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The General insurance business in India, on the other hand, can trace its roots to the Triton Insurance Company Ltd., the first general insurance company established in the year 1850 in Calcutta by the British. Some of the important milestones in the general insurance business in India are given in the table 2.

**Table 2: milestone's in the general insurance business in India**

| Year | Milestones in the general insurance business in India |
|---|---|
| 1907 | The Indian Mercantile Insurance Ltd. set up, the first company to transact all classes of general insurance business |
| 1957 | General Insurance Council, a wing of the Insurance Association of India, frames a code of conduct for ensuring fair conduct and sound business practices |
| 1968 | The Insurance Act amended to regulate investments and set minimum solvency margins and the Tariff Advisory Committee set up. |
| 1972 | The General Insurance Business (Nationalisation) Act, 1972 nationalised the general insurance business in India with effect from 1st January 1973.<br>107 insurers amalgamated and grouped into four companies viz. the National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd. and the United India Insurance Company Ltd. GIC incorporated as a company. |

**Indian Insurance Market – History**

Insurance has a long history in India. Life Insurance in its current form was introduced in 1818 when Oriental Life Insurance Company began its operations in India. General Insurance was however a comparatively late entrant in 1850 when Triton Insurance company set up its base in Kolkata. History of Insurance in India can be broadly bifurcated into three eras: a) Pre Nationalisation b) Nationalisation and c) Post Nationalisation. Life Insurance was the first to be nationalized in 1956. Life Insurance Corporation of India was formed by consolidating the operations of various insurance companies. General Insurance followed suit and was nationalized in 1973. General Insurance Corporation of India was set up as the controlling body with New India, United India, National and Oriental as its subsidiaries. The process of opening up the insurance sector was initiated against the background of Economic Reform process which commenced from 1991. For this purpose Malhotra Committee was formed during this year who submitted their report in 1994 and Insurance Regulatory Development Act (IRDA) was passed in 1999. Resultantly Indian Insurance was opened for private companies and Private Insurance Company effectively started operations from 2001.

**Insurance Market- Present**

The insurance sector was opened up for private participation four years ago. For years now, the private players are active in the liberalized environment. The insurance market have witnessed dynamic changes which includes presence of a fairly large number of insurers both life and non-life segment. Most of the private insurance companies have formed joint venture partnering well recognized foreign players across the globe.

There are now 29 insurance companies operating in the Indian market – 14 private life insurers, nine private non-life insurers and six public sector companies. With many more joint ventures in the offing, the insurance industry in India today stands at a crossroads as competition intensifies and companies prepare survival strategies in a detariffed scenario.

There is pressure from both within the country and outside on the Government to increase the foreign direct investment (FDI) limit from the current 26% to 49%, which would help JV partners to bring in funds for expansion.

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There are opportunities in the pensions sector where regulations are being framed. Less than 10 % of Indians above the age of 60 receive pensions. The IRDA has issued the first licence for a standalone health company in the country as many more players wait to enter. The health insurance sector has tremendous growth potential, and as it matures and new players enter, product innovation and enhancement will increase. The deepening of the health database over time will also allow players to develop and price products for larger segments of society.

State Insurers Continue To Dominate There may be room for many more players in a large underinsured market like India with a population of over one billion. But the reality is that the intense competition in the last five years has made it difficult for new entrants to keep pace with the leaders and thereby failing to make any impact in the market.Also as the private sector controls over 26.18% of the life insurance market and over 26.53% of the non-life market, the public sector companies still call the shots.

The country's largest life insurer, Life Insurance Corporation of India (LIC), had a share of 74.82% in new business premium income in November 2005.

Similarly, the four public-sector non-life insurers – New India Assurance, National Insurance, Oriental Insurance and United India Insurance – had a combined market share of 73.47% as of October 2005. ICICI Prudential Life Insurance Company continues to lead the private sector with a 7.26% market share in terms of fresh premium, whereas ICICI Lombard General Insurance Company is the leader among the private non-life players with a 8.11% market share. ICICI Lombard has focused on growing the market for general insurance products and increasing penetration within existing customers through product innovation and distribution.

**Reaching Out To Customers** No doubt, the customer profile in the insurance industry is changing with the introduction of large number of divergent intermediaries such as brokers, corporate agents, and bancassurance.

The industry now deals with customers who know what they want and when, and are more demanding in terms of better service and speedier responses. With the industry all set to move to a detariffed regime by 2007, there will be considerable improvement in customer service levels, product innovation and newer standards of underwriting.

**Intense Competition** In a de-tariffed environment, competition will manifest itself in prices, products, underwriting criteria, innovative sales methods and creditworthiness. Insurance companies will vie with each other to capture market share through better pricing and client segmentation.

The battle has so far been fought in the big urban cities, but in the next few years, increased competition will drive insurers to rural and semi-urban markets.

**Global Standards** While the world is eyeing India for growth and expansion, Indian companies are becoming increasingly world class. Take the case of LIC, which has set its sight on becoming a major global player following a Rs280-crore investment from the Indian government. The company now operates in Mauritius, Fiji, the UK, Sri Lanka, Nepal and will soon start operations in Saudi Arabia. It also plans to venture into the African and Asia-Pacific regions in 2006.

The year 2005 was a testing phase for the general insurance industry with a series of catastrophes hitting the Indian sub-continent.However, with robust reinsurance programmes in place, insurers have successfully managed to tide over the crisis without any adverse impact on their balance sheets.With life insurance premiums being just 2.5% of GDP and general insurance premiums being 0.65% of GDP, the opportunities in the Indian market place is immense. The next five years will be challenging but those that can build scale and market share will survive and prosper.

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**Role Of Government In Insurance**

Government has three roles in insurance. The first is to ensure that those who are granted licenses are competent to enter the business and will have sufficient scale. The second is to ensure that there are sufficient competitors to prevent cartels from developing, while limiting numbers to a level that prevents pyramid structures (known as cash flow underwriting) from emerging. Insurers are prone to pyramid structures because premiums are paid well in advance of claims and the ultimate cost of claims is uncertain. The main tools to achieve these potentially conflicting objectives are minimum capital requirements (see figure 3), licensing rules and centralized claims data collection so that indicative pure premiums (that is, expected losses per unit of coverage) can be published. Market premiums are pure premiums loaded for expenses and cost of supporting capital. The third role is to protect the public. This is not the same as preventing insurer insolvency (Stewart Economics, Inc. 2003). In fact allowing an insurer in trouble to delay insolvency (known as regulatory forbearance) can be inimical to the public interest and involve substantial unexpected and unnecessary public expenditures. This recognition has contributed to the development of risk based supervisory approaches, including corrective actions and enforcement based on the ratio of actual capital to statutory measures of risk based capital.

**Profile Of The Modern Insurance Sector**

Today the insurance sector is a major global industry covering a huge range of risks ranging from natural disasters and environmental hazard, through life and disability and standard property risks (fire, explosion, burglary, and so forth) to various types of liability under tort and civil codes to protecting the balance sheets of credit granting institutions. In the latter case the sector has developed overlaps with, and become the backstop for significant sections of the banking and shadow banking sectors. It is also a significant source of investment funds (box 1). In 2003 seven insurers were in the top fifty corporations in the world in terms of revenues and insurers accounted for two of the top four global financial institutions by market capitalization. The industry is global by nature as it is in the risk spreading business, but in practice less than fifteen insurers can be called genuine global players (and these are mostly European), with the balance having more of a regional approach or being confined to their home countries. In terms of geographical involvement it is clear that colonial pasts and cultural affiliations have played a large part in foreign investment, in addition to proximity (table 1). However other factors are also important. Of particular note is the fact that, the global success of the sector notwithstanding, there is a massive dichotomy between developed and developing markets (see box 1). The density of insurance (that is, premium per capita) in an industrial country like France at US$4,075 is many multiples of the US$38.4 reported by a poor country like India (Swiss Re 2007). In parts of Africa the sector is effectively non existent, despite its fundamental social and economic role. The insurance development path is discussed in detail below but can in part be explained by the sequencing of the introduction of the various classes of insurance (table 2), which in turn follow developments in the real sector and the establishment of property rights. The major challenge for development institutions is to work to change the traditional development patterns to support real sector development and hence generate more rapid sectorial development in a virtuous cycle.

**Growth Of Insurance Sector In India**

India's insurance sector is zooming to show an unprecedented progressive growth of more than 200% by the period of 2009-12. The Associated Chambers of Commerce and Industry of India has clocked out the fact that during this period, private players in the industry will see a growth of about 140 per cent, owing to the adoption of the aggressive marketing techniques in comparison of the growth rate of 35 per cent-40 per cent achieved by the state owned insurance companies. The chamber is expected to poise the business of insurance to reach at Rs.2000 billions in coming 2 years from the present level of Rs. 500billion. With the result of adoption of the intense marketing strategies by the private players, the declination has been witnessed in respect of the share of the state owned insurance companies captured in the market. The market share fallout has been noticed in context of such companies like GIC, LIC, which have come down to nearly 70 per cent in the past 4-5 years from the 97 per cent. The experts have fore casted the more severe competition in the insurance sector likely to be occurred in the near future. Till recently ,insurance sector was majority driven by the government sector players but now many private

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sector multinational players have come into the picture. Like HDFC, ICICI, Kotak, Mahindra and Birla Sunlife. Insurance sector has been characterized as the booming sectorof the Indian arena, which has shown the growth rate of more than 15 per cent to 20 percent. Insurance in India is put under the federal subject and is governed by the Insurance Act, 1938, the Life Insurance Corporation Act, 1956 and General Insurance Business(Nationalization) Act, 1972, Insurance Regulatory and Development Authority(IRDA) Act, 1999 and by various other acts

**Insurance Companies In India**

**Life Insurance Companies**

1. Aviva India
2. Bajaj Allianz Life Insurance
3. Birla Sun Life Insurance Company Limited
4. Exide Life Insurance
5. ICICI Prudential Life Insurance
6. IDBI Federal Life Insurance
7. IndiaFirst Life Insurance Company
8. Life Insurance Corporation
9. Max Life Insurance
10. Peerless Group
11. PNB MetLife India Insurance Company
12. SBI Life Insurance Company

**General Insurance Companies**

1. Agriculture Insurance Company of India
2. New India Assurance
3. The Oriental Insurance Company
4. United India Insurance Company
5. National Insurance Company
6. Export Credit Guarantee Corporation of India
7. GIC Re
8. Cholamandalam MS General Insurance
9. Bajaj Allianz General Insurance
10. Bharti AXA General Insurance
11. HDFC ERGO General Insurance Company
12. ICICI Lombard
13. IFFCO Tokio
14. L&T General Insurance
15. Reliance General Insurance
16. Religare
17. Royal Sundaram General Insurance
18. Tata AIG General
19. Star Health and Allied Insurance

**Introduction**

Performance of an organization is the outcome of activities of individuals and units of the organization. Except for the external influences on individual behavior and personal traits, organizations can either influence or control all factors affecting the performance of individuals and units through formal and informal means. Some of the formal means of controlling units' activities are structure, operating manuals, standard operating procedures, charters, and budgets. Greater influence on individuals can be exercised informally through communication, work culture, management style.

An effective control over the performance requires insurance companies to operate the organization divisions and subdivisions. Within each division or subdivision, there can be units responsible for separate activities. One satisfactory way of ensuring better performance of units is delegation of profit responsibility to units at the lowest possible level. Delegation of profit responsibility for a unit is possibility provided that the unit managers have information and control over the revenues and expenses. It may not be possible for all units to exercise control over several factors influencing profits. Expense budgets and setting well-defined objectives ensure cost control and effectiveness of the unit. Units are emphasized to control the cost of services they charge to the corporate office or the other units.

Financial, marketing and human resource polices of the corporations influence the unit mangers to make decisions that are in the best interest of the company. Output or performance of insurance company depends on the effectiveness of such policies. Insurance corporations formulate and revise the policies from time to time to ensure that the performance of the managers is in the best interest of the organization.

**Of An Insurance Company Depends On Four Important Functions**

1. Identification of markets
2. Assessment of risks (of the insured and the insurance corporation) and estimation of losses
3. Penetration into and exploitation of markets; and
4. Control over investment and operating costs.

**Identification Of Markets**

Individuals and institutions are exposed helps identification of markets. Thorough analysis of the trends in various aspects of social and commercial settings functions to broaden the opportunities from time to time. The growing concern for insurance and social security in India is overwhelming the demands for insurance products. It is not exaggerating to say that there can be an exponential growth for the insurance sector as the national income and percapita income are constantly rising in urban India. Conducting surveys on risks and needs of individuals, organizations and associations helps to identify the insurance needs. Birth, education, family possessions, housing and death are common events of life and individuals face financial or emotional risk for one or more of these events. Decrease in family size over the past three decades has brought necessary changes in required needs and possessions. Previously, it was only possible for affluent societies to send children to Europe or America for higher education. Nowadays, a middle class family can afford admitting their children in Western Universities. Family cars, motor vehicles and condominium houses in urban areas have become common feature in Indian societies. All these changes have obviated opportunities to the insurance sector to grow at rapid pace.

Identifying the potential markets such as traditional insurance methods which exist in the society or develop in communities to shield their members, which are to be identified and formalized through the insurance policies. One such example is SEWA (Self Employed Women's Association)[1.] Self-employed women of Gujarat, who formed an association and an insurance pool, are organized by the association that benefits the self employed women and /or family members in case of death or injuries to the insured or her family member. The Association has obtained group insurance coverage with public sector insurance corporations, namely Life Insurance Corporation of India and Untied India Insurance co.Ltd.

Another example is available from the rural insurance practices in Ethiopia and Tanzania where community based group insurance 'iddirs' is prevalent in the era of corporate insurance. Peculiarly the community members obtain insurance coverage to meet funeral expenses, as the funeral is an extravagant affair. Members contribute money and food items to the deceased member's family at the event. The concept is further improved to cover medical expenses and education. Insurance corporations can grow by bringing such groups under group policies or formulating suitable individual package policies catering to the needs of the individuals.

Institutions or organizations are commonly haunted with the fears of becoming bankrupt on non re-payment of debts or insolvency of the customers, disloyalty of employees, and accidental damage to the property or injuries to the employees. Shifts in nature of risks arise out of changes in socio-economics as a result of shifts in culture or practices due to the changes in the business and social environment. For example, in India, the average size of the family has considerably decreased and consumer spending has taken a shift from traditional big cars to small cars in the middle class and well-to-do societies, and televisions replaced transistors among lower societies. Globalization of trade has created both threats and opportunities to the businesses in India, and other developing countries. Small and medium manufacturers are now able to export their goods and small traders can import foreign products.

The ability of a company in understanding and serving the needs of the society is reflected in the types of policies it offers and the rate of success of these policies. For successful identification of markets, they need to understand the trends in culture and businesses constantly, through conducting research and analysis. They can take this job on their own or assign it to an external agency. Relying on an external agency can be risky due to the questionable loyalty of the agents.

**Assessment of Risks and Losses**

Efficiency of actuaries and assessors of the insurance policies in fixing premiums and settling claims is foremost an important area for achieving overall efficiency in operations. The quality of assessing the risk and estimation of losses has the largest claim on the performance of an insurance company. Well trained, experienced and expert hands are needed for the operations.

**Market Penetration**

Market penetration or exploitation of a company can be identified with the growth in number of policies in each type of insurance, growth rate in earnings or turnover, company’s market share, increase in number of branches and divisions etc. Efforts of the company as a whole and that of the divisions and branches are assessed to measure the effectiveness.

**Control Over the Resources**

Control over resources such as men, machines, and materials at each level of the organization provides measures of efficiency of a unit as well as the organization. Investment control and expense control are dealt separately and the effectiveness of management’s’ decisions at various levels is to be assessed separately.

**Objectives of the Study**

1. To find out present performance appraisal system used in the company.
2. To know about the working scheme of the company.
3. Recognize the employee's contributions during the preceding year.
4. Improve individual performance by providing positive, constructive and developmental feedback.
5. Identify and integrate organizational and individual objectives and expectations.
6. Encourage individual employee growth and development.
7. Provide data to document performance.
8. To find about the employees views for the system adopted by the company to appraise their performance.
9. To suggest some measures for improving the methods to appraise the performance of the workers.

**Statement of the Problem**

Every business organization large or small spend huge amount of money on Human Resource. It is necessary therefore to find out how they are performing in order to design their future of the organization. It may be to develop the employees or to correct the employees or to utilize employee’s strength.

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This study is directed towards probing Performance Appraisal system as tool for employees at Insurance Companies In Salem District.

**Types of Research**

There is social research in a HR Survey with particular reference to Performance Appraisal as a System for employees at Insurance Companies In Salem

1. **Sample Design:**It is random sampling techniques where the samples were designed based on the nature of work, qualification, experience, etc.
2. **Sample Size:** 500 Employees Respondents
3. **Tool for collection of Data:** Structured questionnaire is used to collect the data. Copy of questionnaire is placed at the Annexure of the project report.
4. **Method of Collecting Data:** The questionnaires were floated to respondents through Researcher where the data was collected and returned by HR Unit.
5. **Method of Analysis**
    1. The collected data were tabulated
    2. Percentage of respond was worked out
    3. Analysis is based on percentage frequency
    4. Weight age is given to high percentage in response factor
    5. Evaluation is made based on the analysis and the presumptions inherences are used, where every data is ambiguous. Definitive evaluation is made every data is clear.

**Conclusion**

Performance appraisal is the key for success of organizations. When the organizations grow larger and larger, complexity increases in controlling them. Establishing a Systematic and well organized performance management systems calls for understanding and analyzing the key success factors. Achieving a success that persistent and enduring is a result of conscious planning and implementation process. Periodical review of performance is the heart of the process. Understanding the indicators of performance, evaluating and interpreting the results assists in timely action and effective management. Every insurance company that flourishes over long run implements a balanced scorecard and constantly improves the measures and results of the corporation. Assigning weights to various measures in a balanced scorecard is case sensitive in consideration with several environmental and internal factors of a corporation. Strategic uncertainties in insurance sector are comparatively less than the unusual abnormal increase in claims flooding of claims such as 9/11 attacks on World Trade Center.

**Summary**

Performance is evaluated both on financial and non-finical achievements of business. The key success factors vary between the industries, organizations and units of organization. The key success factors for insurance companies on financial and non-financial areas are identified to a greater extent and explained in the article. However, the list of measures is not exhaustive and these are specific to the strategies, situations, and location of insurance companies. Some common and general factors are explained. Financial performance is understood in terms of various financial ratios, which are divided as profit performance measures and investment performance measures. Non-financial measures include a range of indicators with orientation of customers, growth, and value to the community and societies. Some of the measures reflect short-term performance and other on the long-run achievements of a company. Maintaining a balance between these measures in order to achieve success is a highly growing concern among the managers in modern organizations.