

Performance And Reward Management
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Lecture - 18

Implementing a performance management system in your organization (Contd.)

Welcome back we will be continuing with the topic of Implementing Performance Management System in an Organization. And today, we will continue with the traditional methods.

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- Traditional Methods contd.
- Modern Methods

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Number of rating levels:
There is a choice of the number of levels – there can be three, four, five or even six levels as described.

Three-level scales
Three-level scales may be constructed by reference to such terms as:
overall achievement – ‘exceptional’, ‘acceptable’, ‘not fully acceptable’;

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So, we were discussing on the rating scales in the last session. So, in rating scales what happens, there are a number of rating levels and there could be like three, four, five or even six levels. So, there could be three level scales like could be taken into consideration by reference to such terms as overall achievement to be like exceptional, acceptable and not fully acceptable.

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Achievement of objectives – ‘exceeds’, ‘meets’, ‘fails to meet’;
Capability/competence – ‘highly capable/competent’, ‘fully capable/competent’, ‘less than fully capable/competent’;
Spread of ability – ‘above average’, ‘average’, ‘below average’ (not a desirable approach because it ‘labels’ people).

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So, the achievement objectives like exceeds, meets, or fails to meet; capacity and competencies like highly capable, a competent, fully capable or competent, less than

fully capable or competent. Then, the spread of abilities may be like above average, average, below average. So, though it is not really very desirable approach because it tries to label people as they are, they can do something or they are not able to do something.

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Fulfilling expectations

In order to fulfil the expectations agreed for one's role, the employee and his/her manager will agree at the review how the appraisee has:

- worked with others and developed him/her self;
- followed through processes and made improvements;
- met the needs of internal/external customers;
- achieved key financial and business results.

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So, in order to like fulfill the expectations agreed for ones role, the employee and his or her manager will agree at the review how the appraisee has like worked with others and developed himself or herself; followed through the processes and made improvements, made the needs of the internals, and the external customers achieved key financial and business results. These will lead to the fulfilling of expectations, because these are like the some of the expectations that the people have from the role incumbent.

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The expectations are stretching and demanding and if one achieves them one has done well and made a full and balanced contribution that has delivered the requirements of the business.

Exceeding expectations
People who exceed the expectations agreed for their role will be exceptional for two reasons:

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So, actually what happens? Like these the expectations are like more you do the more your expectations on you increases. The Expectations are stretching and demanding, so and like if one achieves them one has done well and made a and full balanced contribution and that has delivered the requirements of the business. So, it is like how people who have, so you need to actually do justice to like all these things you really focus and one and maybe miss out on others. Does not tell like whether you have exceeded like the overall expectations are not.

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So, a balanced focus on each of these needs to be given by the employee, if the employee really wants to make a very good contribution in terms of contributing towards the development of the organization and also maybe for enhancing and the self growth of the employee.

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The expectations are stretching and demanding and if one achieves them one has done well and made a full and balanced contribution that has delivered the requirements of the business.

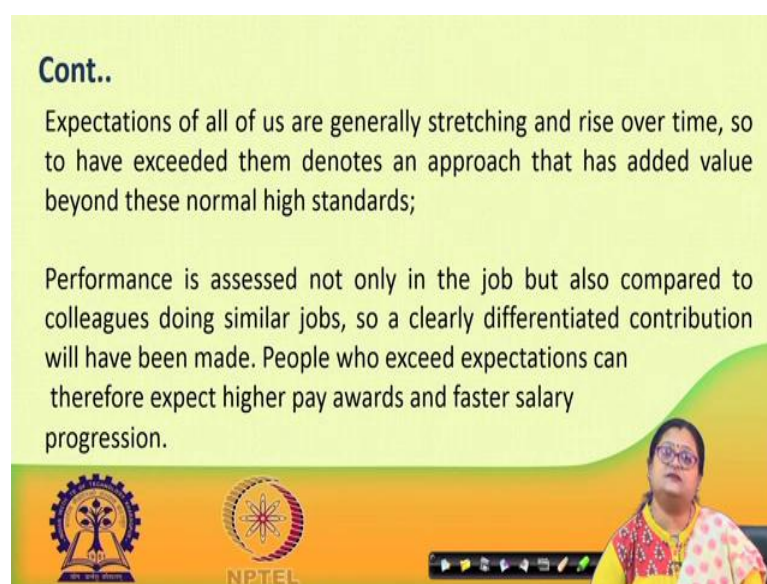
Exceeding expectations

People who exceed the expectations agreed for their role will be exceptional for two reasons:

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So, when we talk of exceeding the expectations, like people who exceed the expectations agreed for their role will be exceptional because of like the two reasons.

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Expectations of all of us are generally stretching and rise over time, so to have exceeded them denotes an approach that has added value beyond these normal high standards;

Performance is assessed not only in the job but also compared to colleagues doing similar jobs, so a clearly differentiated contribution will have been made. People who exceed expectations can therefore expect higher pay awards and faster salary progression.

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So, because it shows like which has been generally stretching and rising over time, so to have exceeded them denotes an approach that has added value beyond this normal high standards because it is already standards are set very high. So, if somebody has exceeded that expectations means the person has really very performed very very well and maybe we do not expect that much, but he has excelled in those things because of maybe the person's focus commitment and also the set of competencies that he or she has nurtured.

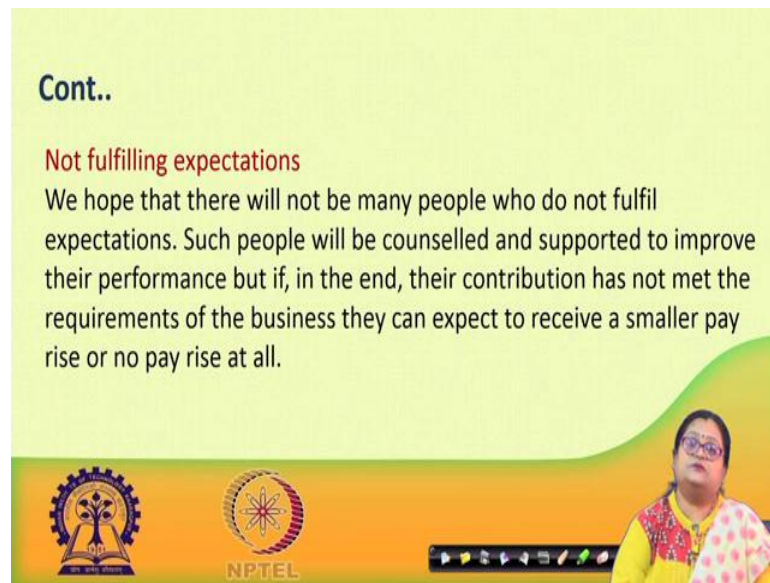
So, this is like when you talk of exceeding the performance. So, it means like performance standards, it shows like the person has really added value beyond those normal high standards. So, when we talk of assessing performance, we have to understand like that, it is not only judged based on how the performance of the person is only on the job, but it is sometimes also compared to other colleagues who are doing similar jobs. So, clearly differentiating contribution need to be made.

So, because of these people who exceed expectations can therefore, expect to get higher pay words and faster salary progressions, because we have this again the ABC performers and we were already discussing in the last sessions like what are the organizations ways of like dealing with the ABC type of performers. Like, to recognize actually these highly exceptional performances and give their motivations in terms of maybe higher pay awards and salary progressions, carrier progressions, so that they are motivated to like perform.

But again, we need to maybe debate on when we will be discussing on reward management, like should we incentivize every performance and because it could lead to motivational crowding, like for things which people sometimes do for with intrinsic motivation given an always given an extrinsic reward for it may try to have may have a counter effect on it and people may stop performing for it because it is the everything then becomes external focused.

And they try to bargain on the like rewards that is there, and it loses its charm, it is like the joy that the people got from the internal intrinsic motivation. So, these are debates that we will be addressing when we will be discussing in details about the reward management and designing of the reward system.

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Not fulfilling expectations

We hope that there will not be many people who do not fulfil expectations. Such people will be counselled and supported to improve their performance but if, in the end, their contribution has not met the requirements of the business they can expect to receive a smaller pay rise or no pay rise at all.

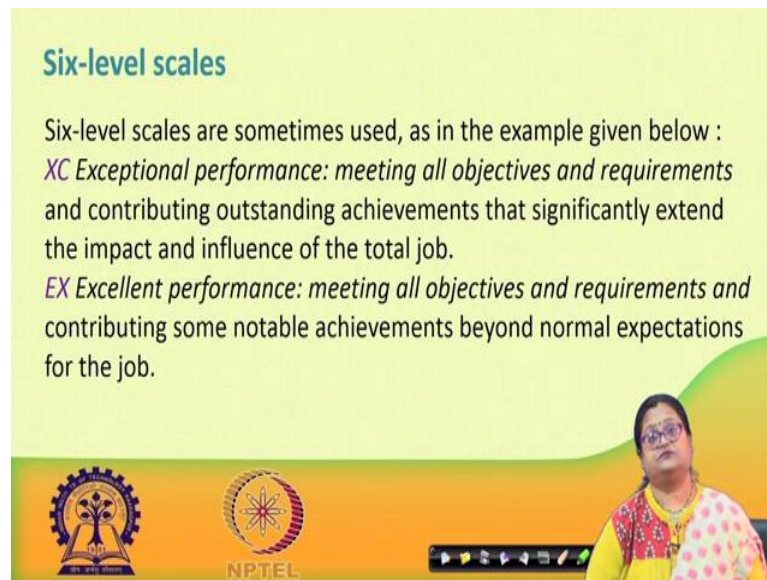
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So, not fulfilling expectations is another category. So, we hope that there will not many people who will do we where we will get in this category who do not fulfill the expectations. So, such people again will be counselled and supported to improve their performance, but if in the end, it appears like the contribution has not met the requirements of the business, they can expect to receive a smaller pay rise or no pay rise at all.

So, this counseling and hand holding support to improve the performance is very very important. And we understand, like we have to because there could be various reasons, various constraints may be both in due to the person or in the type of situation that the person has been placed in the environment in the team that the person has been placed that has led to his poor performance.

So, we have to understand like why this person is not fulfilling the expectations, what are the reasons then if you have to like we can understand thing this properly maybe place him in a different role and then see with the different team members maybe that something which is job which is maybe interesting to the person like interesting to the person to do, then he may improve on his performance. So, we have to find out exactly the reason through the counseling like the why this person has not been able to fulfill the expectations, and what support mechanisms can be given, how that person can be supported to improve the performance.

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Six-level scales

Six-level scales are sometimes used, as in the example given below :

XC Exceptional performance: meeting all objectives and requirements and contributing outstanding achievements that significantly extend the impact and influence of the total job.

EX Excellent performance: meeting all objectives and requirements and contributing some notable achievements beyond normal expectations for the job.

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When you talk of six level, so these also are sometimes used. So, as given in the example below, like when you talk of EX, XC that is the exceptional performance meeting all objectives and requirements and contributing to the outstanding achievements that the significantly extent the impact and influence on the total job. When we talk of excellent performance so, it talks of meeting all objectives and requirements and contributing some notable achievements beyond normal expectations of a job.

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W A well-balanced performance: meeting objectives and requirements of the job, consistently performing in a thoroughly proficient manner.

R Reasonable performance: a contribution that is stronger in some aspects of the job than others and where most objectives are met, but with varying degrees of effectiveness.

BE Barely effective performance: meets few objectives or requirements of the job – significant performance improvements are needed.

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Like, W which is a well-balanced performance meeting objectives and requirements of the job, consistently performing on a thoroughly proficient manner. R is reasonable performance, a contribution that is stronger in some aspects of the job than others and where most objectives are met, but with varying degrees of effectiveness. BE, which is barely effective performance meets few objectives or requirements of the job significant performance improvements are with needed.

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U Unacceptable performance: fails to meet most objectives or requirements of the job and demonstrating a lack of commitment to performance improvement, or a lack of ability.

The rationale for six levels is that it gives a wider range. But this number of levels presumes that managers are capable of consistently making the fine distinctions.

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And U is unacceptable performance which fails to meet most objectives or requirements of the job and demonstrating a lack of commitment to performance improvement or a lack of ability. So, the beauty of this the rationale for the six levels is that it gives a wider range, but it has, it presumes; however, that the managers are capable of consistently making this fine distinctions because if you go through this you will find the these are very finite distinctions like between exceptional performance and excellent performance.

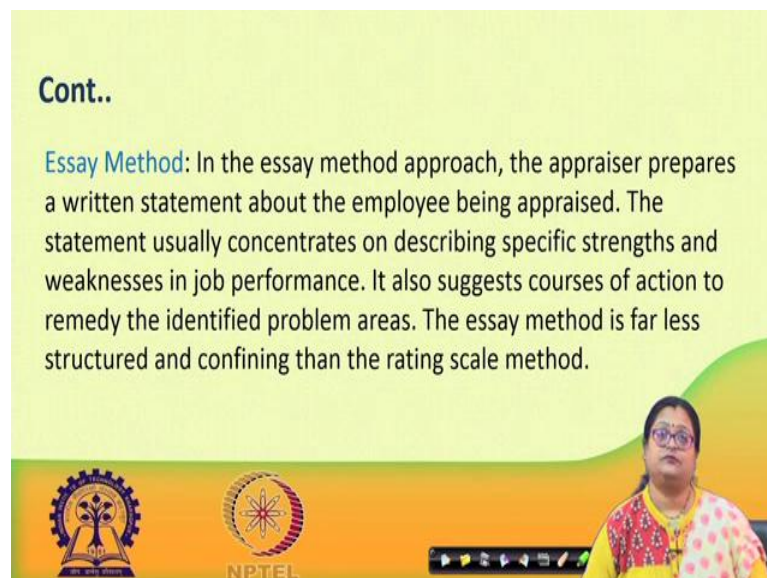
So, the difference is that when we talk, of like when we talk of this exceptional performance it is talking of like the outstanding contributions towards like the outstanding achievements, but when you talking of this excellent performance it is about like the some notable achievements beyond normal expectations for a job, It is like some notable achievements be your normal expectations for a job. So, these are the things that we need to take care of like while you are discussing on this, and the manager should be able to like may make clear distinctions between these facts.

Also, like the well-balanced performance and the reasonable performance. So, we will find like it is well balanced (W) and it is in every aspects, and for reasonable (R) it is balanced in some and more most objectives are may met, but with varying degrees of effectiveness. So, what we find when you talk of well-balanced?

The effectiveness in all the objectives meets are same, but when we talk of like a reasonable it is a varying degrees of effectiveness and when you talking of barely effective performance, then it is talking of like mixed few objectives or requirements of the job and with significant like perform and in some cases significant performance improvements are required. So, and in unacceptable of course, like it talks of like it is none of the standards are met properly and the performance is unaccepted.

So, finer lines of differences and the manager must be well trained enough to understand this finer thread. Like what all you have done will lead to exceptional performance, what all it learn done and what may be some factor missing, some finer aspects missing maybe you will lead to like excellent performance, but to know that the person who is giving this judgement should be well versed, well equipped and knowledgeable enough to like give this judgement.

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Essay Method: In the essay method approach, the appraiser prepares a written statement about the employee being appraised. The statement usually concentrates on describing specific strengths and weaknesses in job performance. It also suggests courses of action to remedy the identified problem areas. The essay method is far less structured and confining than the rating scale method.

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Next is an essay method, so we need to the appraiser prepares a written statement about the employee being appraised. So, it really concentrates on describing specific strengths and weaknesses in the job performance. It also suggests like their remedial actions that

the person may need to take to identify the problem areas. So, it is a far less structured and confining than the rating scaling method. So, when it is used; however, it helps to explore many points about the individual and to suggest the points of improvement.

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It permits the appraiser to examine almost any relevant issue or attribute of performance. The technique's greatest advantage - freedom of expression - is also its greatest handicap. The varying writing skills of appraisers can upset and distort the whole process. The process is subjective and, in consequence, it is difficult to compare and contrast the results of individuals or to draw any broad conclusions about organizational needs.

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So, of what it helps is it permits the appraiser to examine any relevant issue or attributed performance. The greatest advantage is that it is giving you the freedom of expression because in rating scale somewhere your responses are restricted, but it is also the greatest handicap of this process because it is the stock of vocabulary of the appraiser, the writing skills of the appraiser, can like upset and distort the whole process.

So, it is it is more subjective in nature and it is very difficult to compare and contrast the results of individuals or to draw like any broad conclusions about the organization's need, because a some subjectivity error sometimes could be there. Because how people are expressing facts the raters may differ in their levels of expressions. Like the how they can best express their feelings which are the true representative feelings or observations, which are true representative of the actual performance of the employees with lot depends on the writing skills of the appraisers and that may lead to some effect of the actually the whole process.

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Ranking Method:

It compares one employee to another, resulting in an ordering of employees in relation to one another. Rankings often result in overall assessments of employees, rather than in specific judgments about a number of job components. Straight ranking requires an evaluator to order a group of employees from best to worst overall or from most effective to least effective in terms of a certain criterion.



Another important method is the ranking method, where one employee is compared to the another employee resulting in like ordering of employees with respect to one another. So, ranking suffered result in overall assessment of employees rather than on specific judgments about different job components. So, straight ranking it requires like the you know examiner or the evaluator to order a group of employees from best to worst overall or from most effective to least effective in a certain, based on a certain criteria.

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Paired comparison Method

In this method, the appraiser compares each employee with every other employee one at a time.

FIGURE 9-4 Ranking Employees by the Paired Comparison Method

FOR THE TRAIT "QUALITY OF WORK"						FOR THE TRAIT "CREATIVITY"					
Employee rated:						Employee rated:					
As Compared To:	A	B	C	D	E	As Compared To:	A	B	C	D	E
A						A					
B	+					B	x				
C	-	+				C	x	x			
D	-	-	+			D	x	-	x		
E	-	-	-	+		E	x	-	-	x	
Just	-	-	-	-	+	Just	x	-	-	-	x

Matrix ranks highest here All ranks highest here



So, the improved version of this is which we talk of the paired comparison method. In paired comparison method what happens, every employee is compared against the other employee. So, what we can see over here like A compared to again A, B, C, D, E employee is compared against the A, B, C, D employee with respect to the trait like the quality of work. And again, like A, B, C, D, E is compared to A, B, C, D, E with respect to the creativity.





So, if you can see over here like the employee; so, what we cannot do is compare self to self A cannot be compared to A, B cannot be compared to B, C cannot be compared to C, D cannot be compared to D and E cannot be compared to E. So, if you see over here like when we find like in terms of quality of work this is Maria B is Maria. Maria when compared to Art gets more scores. Maria when compared to Chuck gets more scores. Maria when compared to Dione gets more scores come, when compared to Jose gets more scores. So, Maria is with regarding to quality of work is better than all other 4 compared to Maria.

But when we come to the trait creativity over here what again we find here is the employee Art gets more scores and is the highest here over as compared to the other 4. So, based on each of the job components we can do paired comparison ranking, pair, like the each employee is compared against all other employees in the group and with respect to a particular area of focus and we get to know like who is the best one and followed by the others.

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Forced Distribution Method:

The method operates under an assumption that the employee performance level conform to a normal distribution curve which is a bell curve. Bell Curve assumes that in any organisation only 10% employees are excellent performers, 20% are Good, 40% are average performers, 20 % are below average and left 10 % are unsatisfactory performers







Next is the forced distribution method. In this method operates under the assumption that the employee distribute performance level will conform to a normal distribution curve which is a bell curve. So, the bell curve it assumes that in any organization, only 10 percent of people are excellent performers, 20 percent are good, 40 percent are average, 20 percent are below average and 10 percent are of unsatisfactory performers, and it gives rise to classify forced, classify people based on these assumptions.

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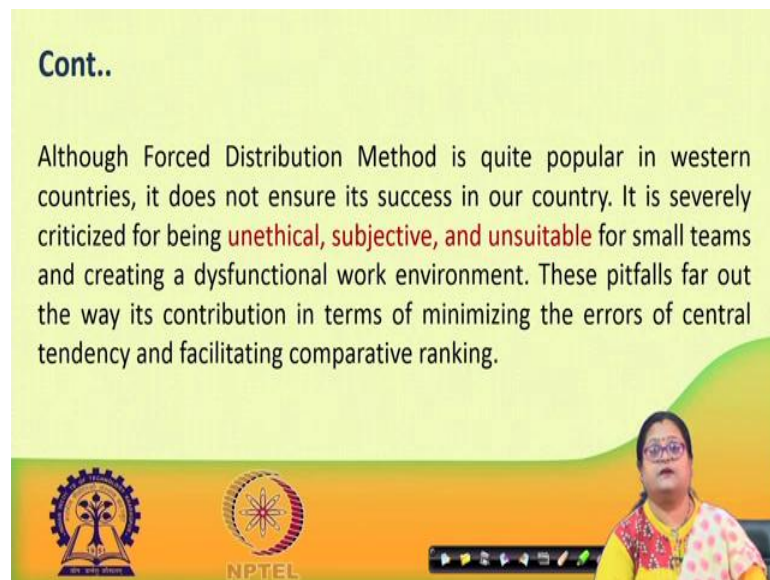
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One merit of this method is that it seeks to eliminate the error of leniency which means - clustering a large number of employees around a high point on a rating scale. The Bell Curve system was pioneered by the leader of the century, Jack Welch early in his tenure at General Electric under the name "Vitality Curve". At present, 20 percent of the large corporate follow the 'Bell Curve Rating Method', the most prominent being Conoco, Hewlett-Packard, Microsoft, Ford Motors.



So, one of the merit of this method is that it seeks the error of eliminate, the error of leniency which means clustering a large number of employees around a high point in a rating scale. So, this curve was like pioneered by the leader Jack Welch and it was under the name of “Vitality Curve”. So, the mostly companies now follow this Bell Curve, but now again we are trying to see critically evaluate the bell curve also and we are discussing on another curve which we call the power curve and whether we would or debating on which one is better and or we may need to see like whether we can use both with regard to the same situations or in different kind of situations either of these curves are appropriate.

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Although Forced Distribution Method is quite popular in western countries, it does not ensure its success in our country. It is severely criticized for being **unethical, subjective, and unsuitable** for small teams and creating a dysfunctional work environment. These pitfalls far out the way its contribution in terms of minimizing the errors of central tendency and facilitating comparative ranking.

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So, in our country; however, the use of the bell curve did not great get like much and like you know become popular, because it is severely criticized for being unethical subjective and unsuitable for small teams and like giving rise to a dysfunctional work environment because forcefully maybe you are classifying some people as very good and maybe as very bad, good and bad and average.

So, these pitfalls; so like has a major hindrances in and which blocks people from seeing the contribution of these in terms of minimizing the error of central tendency and facilitating comparative ranking. So, people may see it like it's unethical, and fairness is not there, it is been unjustified in classifying somebody else in all this matter. So, this may like try to overshadow the good part of the bell curve.

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So, with this maybe we come to the conclusion of this module. We will continue with the discussion again in our next sessions about the traditional methods and the modern methods of performance appraisal. And, we will discuss on the merits and demerits of each of these methods. Please do stay tuned with us, and if you have any feedback please do not forget to report it in the forum.

Thank you.