

**Performance And Reward Management**  
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**Lecture – 61**

**Understanding the implications of performance and reward management in present  
organizational dynamics through case studies  
(Contd.)**

Welcome to the course on Performance and Reward Management. The topic for today's discussion is Understanding the implications of performance and reward management in the present organizational dynamics through case studies. In the previous module; we have discussed all the different cases that are relevant to the performance management and reward management.

We have discussed about the situations; where we have tried to analyze whether, the behavior of the supervisor was correct towards the employee or those the employee was right in the behavior that he showed in that particular situation. We also tried to discuss on the dilemma a person faced in an interviewing situation. And also, we discussed all the different aspects of compensation and pay differences between different job grades and try to find out whether the job evaluation was done properly for these or not.

In today's module, we are going to discuss more on the ethical dilemmas of performance appraisals. Because, we understand; whenever we have to do performance appraisal for employees people faced different decisional dilemmas which are based more or less which are more or less ethical dilemmas that people face. And, because people are at the crossroads of deciding; whether this is correct or that is correct. So, today's module; we will specifically focus on the ethical dilemmas of performance appraisal.

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So, the concept that will be covered today are ethical dilemmas in performance appraisal.

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So, before we go into the details of the performance appraisal. Now, let us find out what is performance appraisal? Performance appraisal is a process for measuring and evaluating a subordinate's performance.

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What do we mean by ethics?

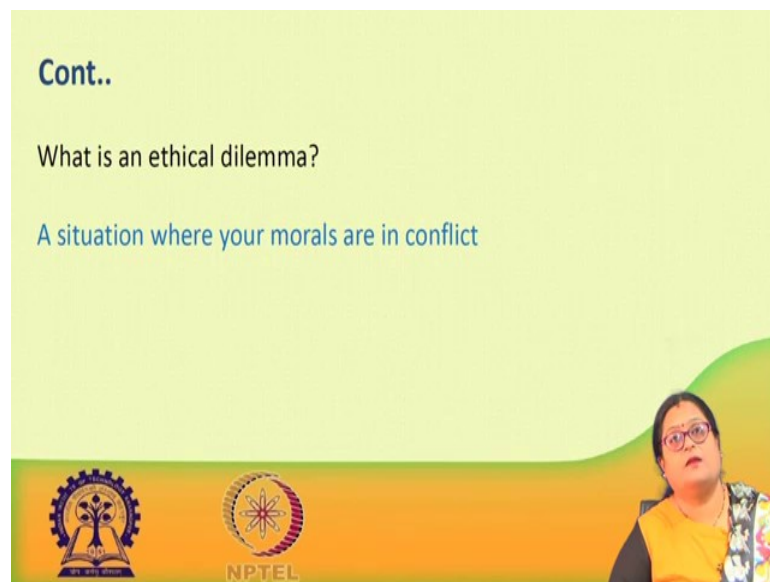
Dictionary meaning: moral principles that govern our behavior

Ethics deals with right and wrong

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What do you mean by ethics? The dictionary meaning of ethics; is a moral principles that govern our behavior and ethics deals with right and wrong.

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What is an ethical dilemma?

A situation where your morals are in conflict

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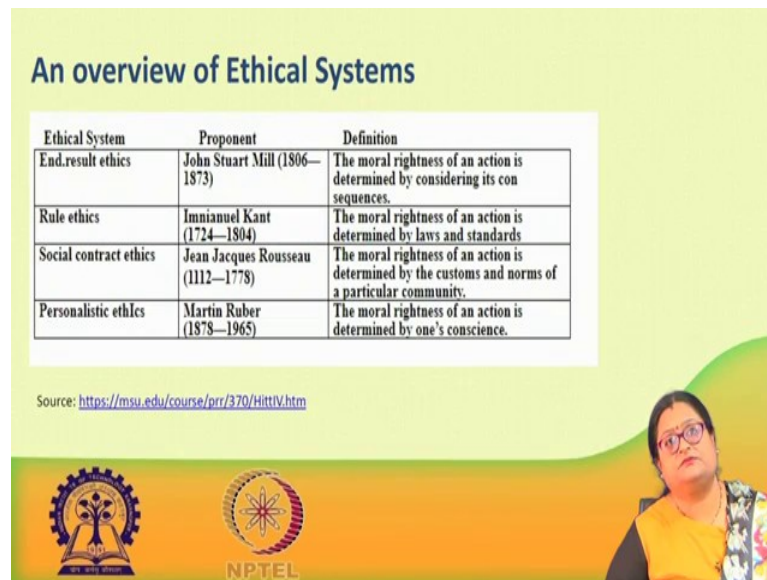
What is an ethical dilemma? So, it is a dilemma; where the morals are in conflict. We are discussing about conflicts of interest. So, here mostly the morals are in conflict.

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### An overview of Ethical Systems

Ethical System	Proponent	Definition
End.result ethics	John Stuart Mill (1806—1873)	The moral rightness of an action is determined by considering its consequences.
Rule ethics	Immanuel Kant (1724—1804)	The moral rightness of an action is determined by laws and standards
Social contract ethics	Jean Jacques Rousseau (1112—1778)	The moral rightness of an action is determined by the customs and norms of a particular community.
Personalistic ethics	Martin Ruber (1878—1965)	The moral rightness of an action is determined by one's conscience.

Source: <https://msu.edu/course/prr/370/Hittiv.htm>



If we have an overview of the ethical system; we have like four different kinds of views which are there which has been like, we have tried to put it in a table form over here. First is the end result ethics which is like given in the by John Stuart Mill. It tells the moral rightness of an action is determined by considering its consequences. So, the if the outcome is right, if the decision is taken to be right.

Rule ethics which was given by Kant. It tells the moral rightness of an action is determined by the laws at standards. So, it is not only the outcome, but how you do it; that is very important. Social contract ethics: It tells it was given by Rousseau. It tells the moral rightness of an action is determined by the customs and the norms of a particular community. So, talks of the relativity of the ethics, where we find out for a particular community, certain rules and regulations hold good maybe for a particular if we talk it in terms of organization if professional groups.

For a particular professional group maybe there are certain codes of conducts which hold good for that particular professional community and that determines and those rules and regulations will determine the moral rightness of an action within that particular community. Personalistic ethics was given by Ruber; which talks of the moral rightness of an action is determined by one's conscience. So, it is your conscience, your personal values which are going to tell you whether the moral whether the actions that you are taking is morally right or not.

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**Moral justification for Performance appraisal**

PA was necessitated on grounds of the move towards increased efficiency after the growth of scientific management

Mainly used as a yardstick for measuring performance

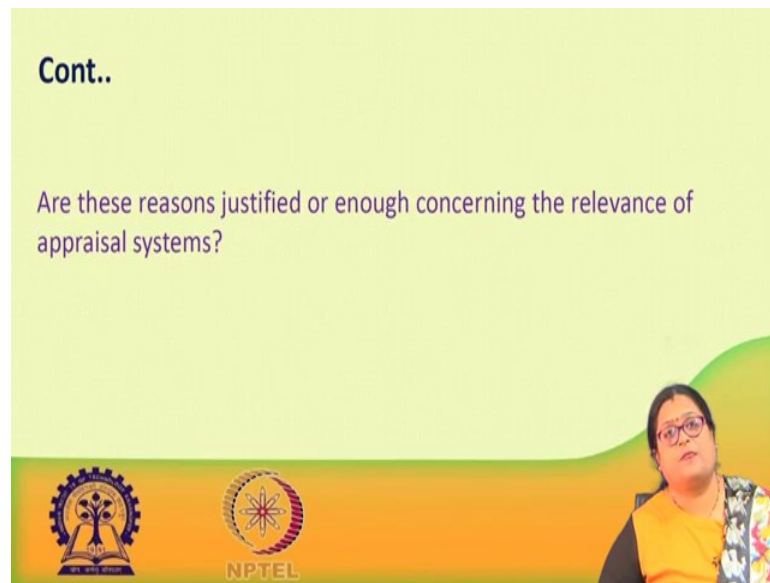
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Now, what are the moral justifications for performance appraisal is that? So because, performance appraisal was necessitated on grounds of the move towards increased efficiency after the growth of scientific management; so, where there we where want to measure; whether the person is giving the best output and with respect to the input or not. And, it is performance appraisal is mainly used as a yardstick for measuring performance.

So, in this, when we talking of yardstick for measuring performance. Because a person as a judge is involved in measuring the performance of an individual through different criteria there is many subjective biases may come up while we will, we try to find out what is the performance, and try to measure the performance with respect to certain yardstick.

So, and in choosing the yardstick also there could be different versions of it; so, one is choosing in choosing the yardstick itself there could be ethical issues. And, how to compare a person to that yardstick in between many subjective biases may creep in. So, based on these two areas mainly moral many ethical issues may come up and that is why, we talk of a moral justification for performance appraisal.

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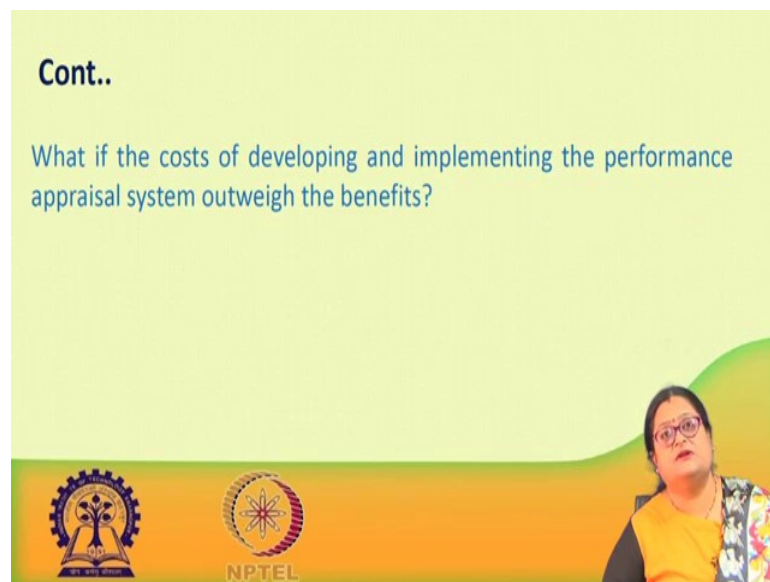
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Are these reasons justified or enough concerning the relevance of appraisal systems?

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So, whenever, so these are the questions like that we talk of when we talk of the what are the relevance of the different appraisal systems.

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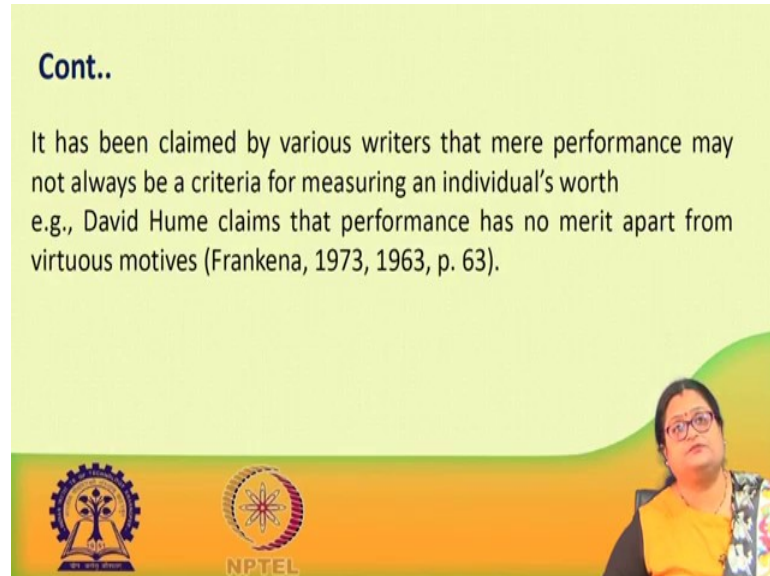
What if the costs of developing and implementing the performance appraisal system outweigh the benefits?

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So, and also like another ethical concern comes up; when we talk of like, what is the benefit that we get from the performance appraisal system? Sometimes it may so happen the cost and of developing and implementing the performance appraisal system or the performance management system is more than the benefits that we get from it. If it is not

very well designed and well accepted by the people within the organization. So, this is another dilemma; that we need to answer which is on the like which is a moral dilemma.

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It has been claimed by various writers that mere performance may not always be a criteria for measuring an individual's worth e.g., David Hume claims that performance has no merit apart from virtuous motives (Frankena, 1973, 1963, p. 63).

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So, like why we should focus more on performance appraisal is the basic like whether we should at all focus on performance appraisal to determine a person's worth, value is itself very like in depth moral question. So, what we find like many authors various authors have claimed that; mere performance may not always be the criteria for measuring an individual's worth. So, like David Hume claims that performance has no merit apart from virtuous motives.

So, like, if the intention with what you are doing things? How you are doing things? If your performance is not guided by these values maybe mere performance by itself really does not make any sense for determining whether you are like worthy individual or not.

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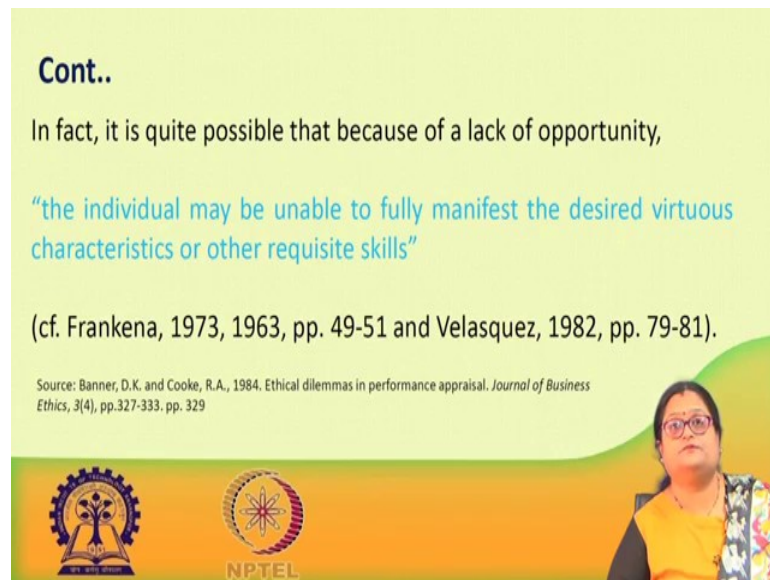
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In fact, it is quite possible that because of a lack of opportunity,

“the individual may be unable to fully manifest the desired virtuous characteristics or other requisite skills”

(cf. Frankena, 1973, 1963, pp. 49-51 and Velasquez, 1982, pp. 79-81).

Source: Banner, D.K. and Cooke, R.A., 1984. Ethical dilemmas in performance appraisal. *Journal of Business Ethics*, 3(4), pp.327-333. pp. 329



Also it may so happen like; it is because lack of opportunities. Many people do not have the opportunities in life to outshine and show their like groom, get groomed and show their performances. So, manifest their performances or their requisite skills.

So, what it tells over real like Frankena and Velasquez and others tell like; if the individual may be unable to fully manifest the desired virtuous characteristics or requisite skills, because the lack of opportunity to do so. So, it is not that the person cannot perform or does not want to perform, but because, there have been lack of opportunities. So, mean in that situational variable may compel the person not being able to perform to the desired level. So, that does not undermine the worth of the person as a human being.

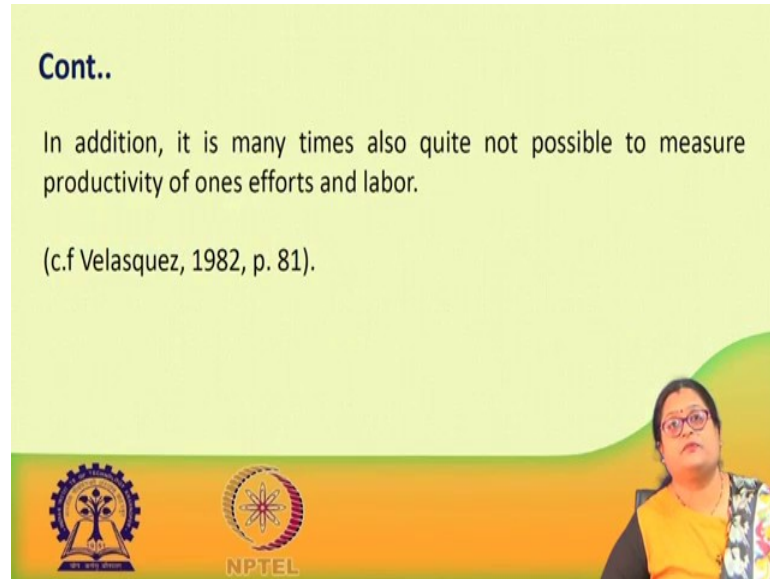


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In addition, it is many times also quite not possible to measure productivity of ones efforts and labor.


(c.f Velasquez, 1982, p. 81).



So, also in addition, it is sometime is not possible to measure productivity of the one's efforts and labor. It may so happen like that; efforts may be taken and like people really may have put their hard labor into it, into something. But the ultimate outcome does not come as expected. So, that does not mean like the person is not productive or have not taken any effort towards the purpose.

So, these may lead to dilemma of whether the person have been productive enough or not. But sometimes it truly does it is very difficult to measure the effort and labor taken by the person and connect it to the outcome that comes through it. Because, in many cases it may so happen; the outcome that happens is at not your expected level or as desired, but that does not undermine the efforts taken towards it.

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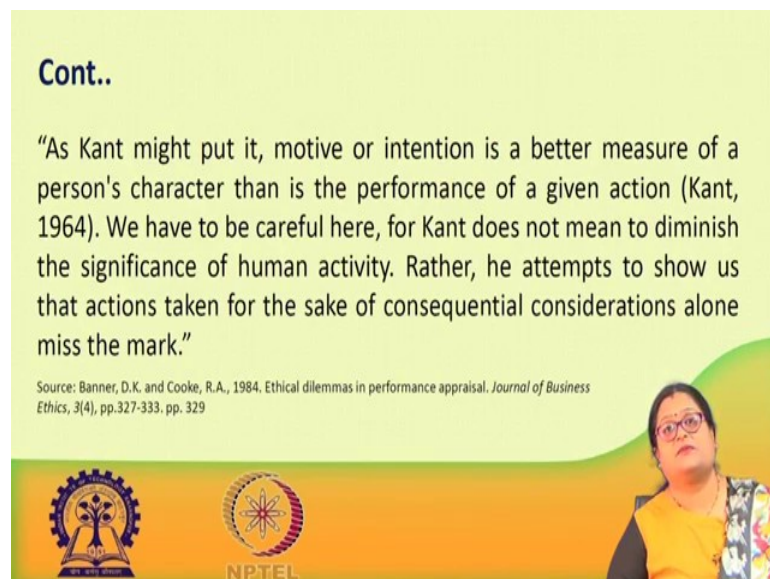
Rather human potential may be a better measure.

Do you agree?

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So, another point of view is that; the human potential to do certain things, whether the person is able to do certain things, whether the person wants to do certain things, whether a person is capable to do certain things. These are better measures for virtuous or a worthy human being rather than the performance itself. So, let us see what this school of thought tells us

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“As Kant might put it, motive or intention is a better measure of a person's character than is the performance of a given action (Kant, 1964). We have to be careful here, for Kant does not mean to diminish the significance of human activity. Rather, he attempts to show us that actions taken for the sake of consequential considerations alone miss the mark.”

Source: Banner, D.K. and Cooke, R.A., 1984. Ethical dilemmas in performance appraisal. *Journal of Business Ethics*, 3(4), pp.327-333. pp. 329

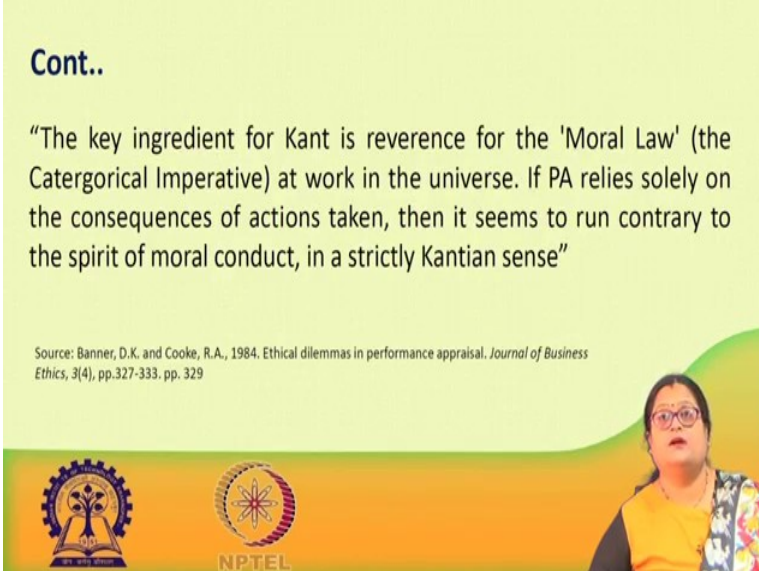
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So, as Kant might put it, motive or intention is a better measure of a person's character than is the performance of a given action. We have to be careful here, for Kant does not

mean to diminish the significance of human activity. Rather, what he attempts to show us is the action taken for the only for the sake of consequential considerations alone may miss the mark.

So, it is like, if you are taking an action solely based on the outcome maybe it is wrong, but it is very important; the way that you take it. The nature, the intention with what you take it though how you do it; so, the process is also very very important as compared to the outcome that comes as a result of that process.

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“The key ingredient for Kant is reverence for the 'Moral Law' (the Categorical Imperative) at work in the universe. If PA relies solely on the consequences of actions taken, then it seems to run contrary to the spirit of moral conduct, in a strictly Kantian sense”

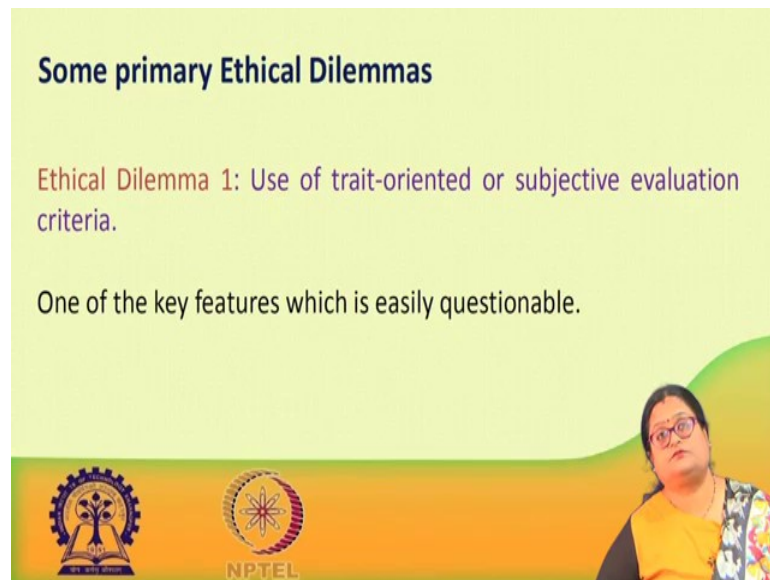
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So, the key ingredient for a Kant is the reverence for the Moral Law; so, the categorical imperative at work in the universe. So, if performance appraisal relies solely on the consequences of action taken, then it seems to run contrary to the spirit of moral conduct in a strictly Kantian sense.

So, if it is only outcome focused, but performance is determined the yardstick of determining performance is only on the outcome based criteria. But we do not pay heed or we do not take care of how the whole situation has followed? What are the process taken to reach that outcome? Maybe, we are running contrary to the spirit of a moral conduct in a strictly Kantian sense.

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**Some primary Ethical Dilemmas**

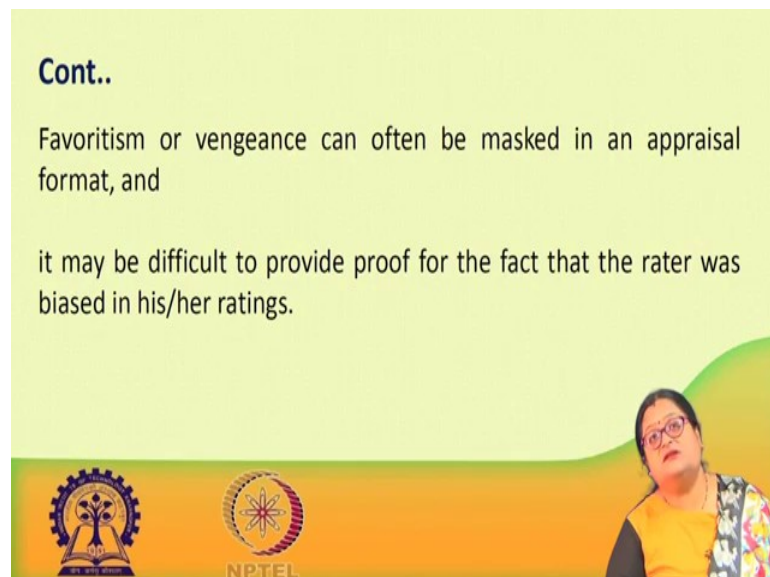
**Ethical Dilemma 1:** Use of trait-oriented or subjective evaluation criteria.

One of the key features which is easily questionable.

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Now, here we will discuss some of the primary ethical dilemmas; that we face when we talk of like the performance appraisal. So, first ethical dilemma is the use of a trait oriented or subjective evaluation criteria. So, it is one of the key features, which is easily questionable.

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Favoritism or vengeance can often be masked in an appraisal format, and

it may be difficult to provide proof for the fact that the rater was biased in his/her ratings.

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So, whenever we are talking of the, like performance appraisal and we were talking of the fixing of the criteria. So, it is it is very important to understand the unbiased nature of the person, who is making the judgment. So, whether the favoritism or vengeance are

masked in an appraisal format or like the person is showing some subjective bias is to that or not. To the person getting appraised is very difficult to measure.

So, it is expected like the moral virtue of the person as a rater it is expected has an a rater, we need to be unbiased towards the person for whom we are making a appraisal. And so if you remember in the last module, we discussed about the case; where Krishna came for the interview. And he was like the son of friend of the main director who is supposed to make the decision to select this person as a representative in one of the regions.

So, it is a decisional dilemma for him, because so because of the personal bias, maybe because this Krishna is the friend's son. So, there could be some degree of favoritism towards him. And even if, if you remember the case that, we discussed like the Krishna is good. But there are other better candidates than him was appeared. So, if we go by favoritism; then that favoritism biases the director to; like say yes for Krishna and that will be an unfair judgment to the other people who are present who have come for the interview.

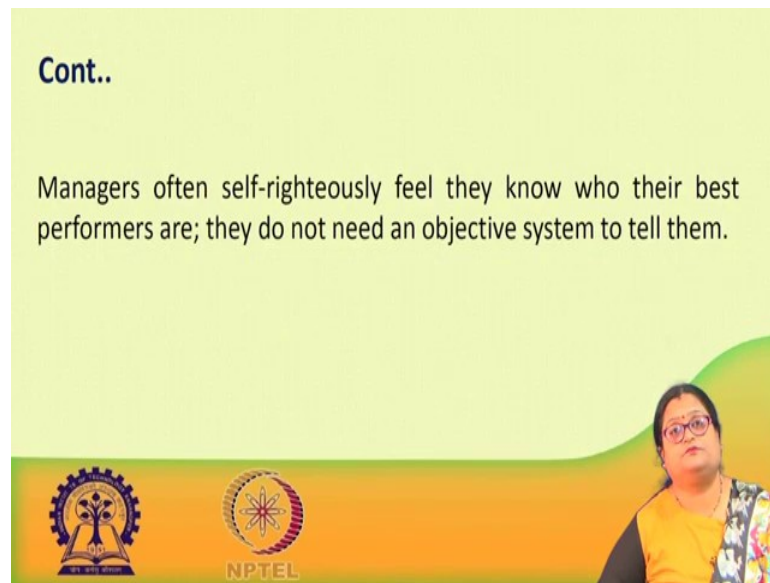
So, in that case; it depends really on the moral values of the person who is making the judgment to be unbiased towards the person, in towards the person in terms of unbiased. In terms of not showing favoritism nor also expressing vengeance. If there have been some deterioration of relationship earlier towards the person towards the, but for the person for which performance appraisal he is doing the appraisal.

The person should be judged only and solely based on the task and how he has performed in it the personal relationship or the between the rater and the ratee should not be coming in between, how the rater is making the judgment about the ratee on a, one has on one aspect of the performance.

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Managers often self-righteously feel they know who their best performers are; they do not need an objective system to tell them.



So, what happens? Sometimes the raters, the managers feel like the often they know who their best performers are and they do not need an objective system to tell them. So, this somehow is even an overestimation of self like I ,I may know my performance in a better way, but again when it given an objective system; it helps in being unbiased and being fair to all the performers whom I am rating. So, that we have a fixed criteria and fixed points of giving how much point for what aspect and it removes the rater's bias.

So, even if like the managers may be feeling like; they know who their best performers are it is always expected like an objective system is followed. So, that there is a fairness in the process. And also the transparency in the process is maintained.

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Some managers have expressed the feeling that objective-based systems 'tie their hands' and restrict their decision-making autonomy.



Again some managers may have, may express the feeling like the objective based systems tie their hands and restrict their decision making autonomy. So, this is again, when you see like whether it is like true objective is good or the subjective like express through when we talk of like through experiences it is good. So, we talk of tying their hands. So, maybe it somewhere it restricts he has the different decisional points that you can take.

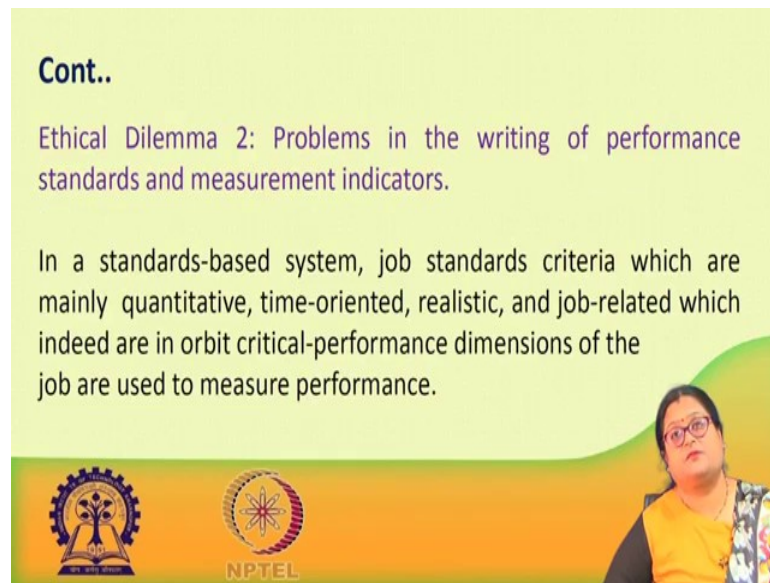
But, if we can make the objective system more elaborate in nature, more detailed in nature which can focus to each of the points, that can be taken in a performance appraisal system. It helps in reduces the rater's bias. So, this is more in terms of bringing like fairness into the system. Where the person gets judged on the performance level of various like the on the different parameters of performance has which are linked with the goals of the department and the organization as such.

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Ethical Dilemma 2: Problems in the writing of performance standards and measurement indicators.

In a standards-based system, job standards criteria which are mainly quantitative, time-oriented, realistic, and job-related which indeed are in orbit critical-performance dimensions of the job are used to measure performance.



So, the ethical dilemma 2 is developed as a as from this only from ethical dilemma 1. Because of why objective criteria the writing of that objective measures it is very difficult to. So, because to define a performance in clear objective terms. It requires a lot of in depth knowledge of the key components of work doing clearly, jobanalysis job, description job, specification writing the job, descriptions and job specifications very in depth. Doing a proper job evaluation; these steps are very much required before we can talk of developing an objective criteria.

So, what we find in ethical dilemma 2? Is the problems in the writing of performance standards and measurement indicators. So, what happens in a standards based system, job standards criteria which are mainly quantitative time oriented realistic and job related. So, which indeed are bit of critical performance dimensions of the job are used to measure performance. So, what happens in standards based system something which is quantifiable time oriented realistic and job related which are critical factors performance dimensions. They are used to measure performance.

But again it is very difficult to; you know like quantify or translate how to measure attitudes, behaviors, intentions and there may be developing an objective criteria. People may have difficulty in developing it.




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This majorly leads to us leaning too much on quantitative measures and rejection or neglecting qualitative measures.

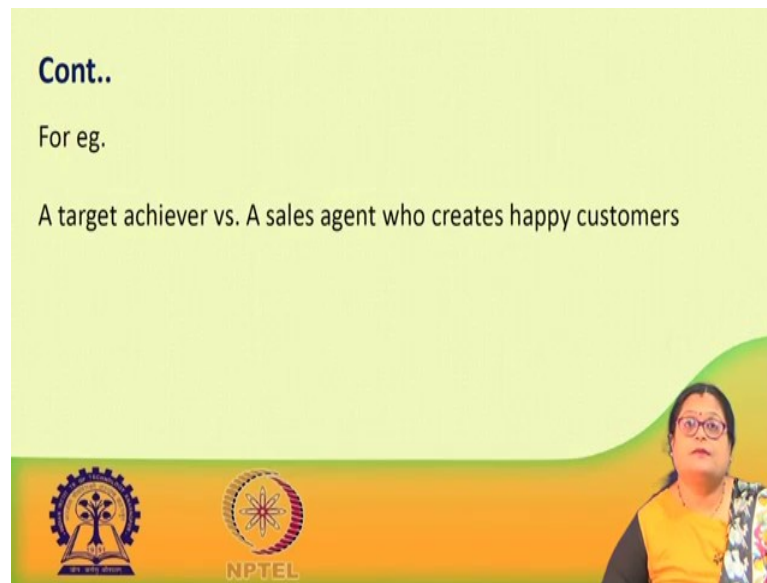
A truly effective performer could be rated low in comparison to one who obtained higher ratings quantitatively



So, as we move on, so because, of this majorly leads leaning too much to quantitative measures and rejecting or neglecting qualitative measures. So, what happens an effective performer may be rated low comparison to another person who have been obtained higher ratings in quantitative terms. But it is not only the performance that we show, but how we do it, how we behave with others, whether we are a good team member or not, whether we take a proactive measures in taking up departmental responsibilities or not.

Do we give positive suggestions towards the organizations or not, these are also key components of performance as a organizational member or a team member. But to quantify these things to translate these things into quantifiable terms is difficult and many people may not want to take up that challenge of translating these things into like, matrices which can measure it. So, that is why, so the, to find out the effectiveness of a performer. So, in totality may be difficult sometimes; if the whole system is geared towards more measures on these quantitative measures. And, it has not transform the like the qualitative part into quantifiable metrics.

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For eg.

A target achiever vs. A sales agent who creates happy customers

So, as you see like a target achiever versus a sales agent who creates happy customers. So, if we do not have metrics to tap this part like a the sales agents performance who creates happy customers and only like we go on how much sales that the person has done in a particular quarter or something. So, maybe the sales agent who creates happy customers gets a low lower rating if he or she have not been able to reach the objective of selling these many units.

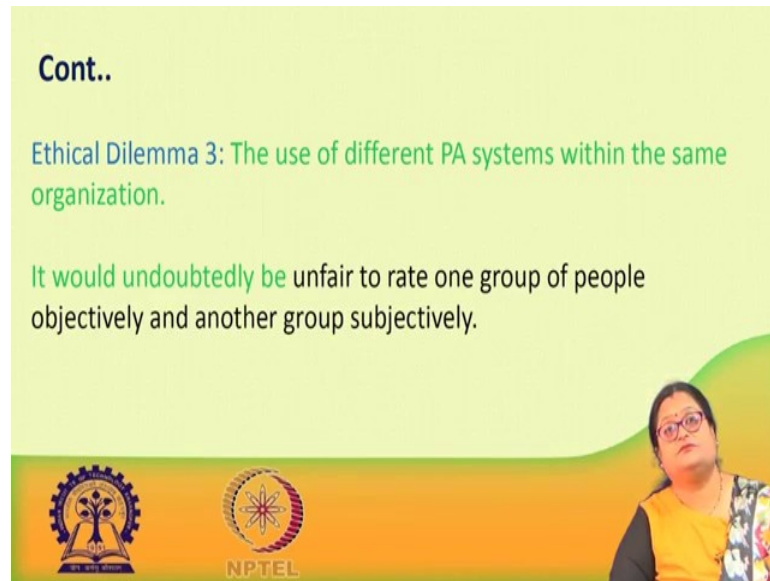
And if this part is not like taken into consideration in the performance appraisal like; what is the feedback they have got from the customers and how many repeat purchase is that the person has got through. So, these will be some of the criteria. So, we have as a HR person maybe have to think out that; how we can capture these dimensions in the performance appraisal measures also.

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Ethical Dilemma 3: The use of different PA systems within the same organization.

It would undoubtedly be unfair to rate one group of people objectively and another group subjectively.

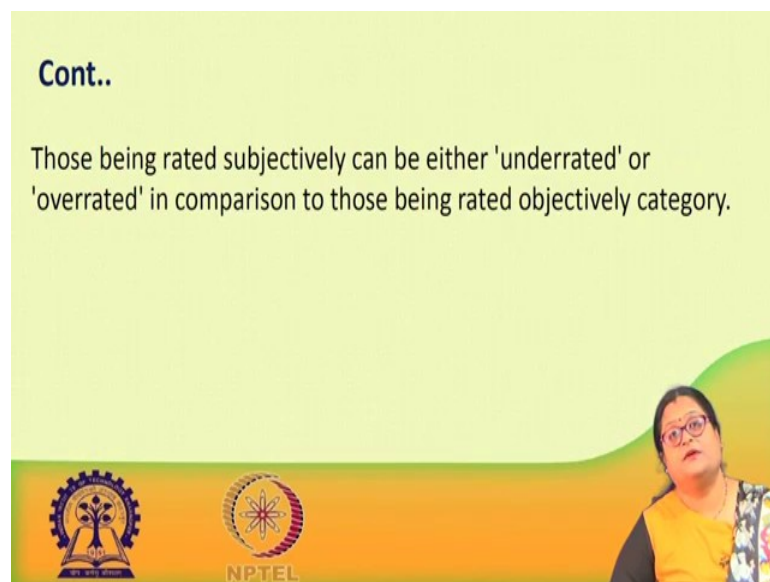


Another ethical dilemma would be the use of different performance appraisal systems within the same organization. So, it would really be unfair to rate one group of people objectively and the other group of people subjectively.

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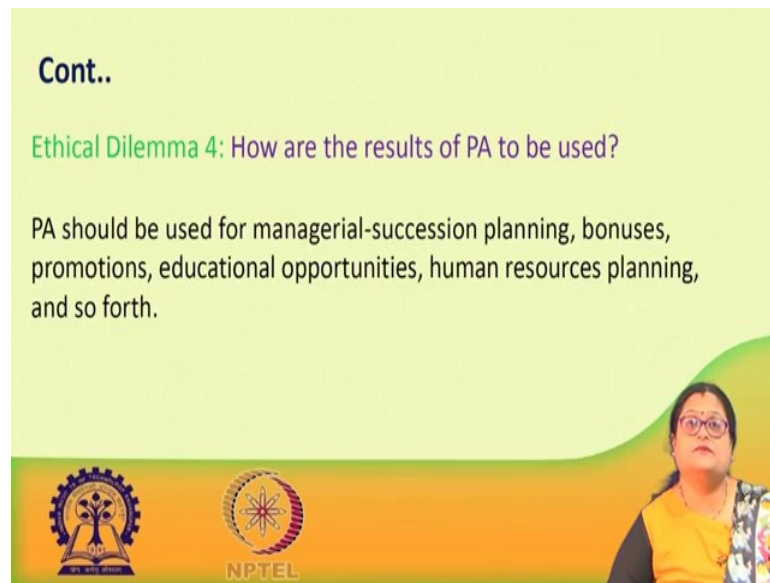
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Those being rated subjectively can be either 'underrated' or 'overrated' in comparison to those being rated objectively category.



So, because those who are rated subjectively and be either underrated or overrated and those who are being rated for objective categories.

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**Ethical Dilemma 4:** How are the results of PA to be used?

PA should be used for managerial-succession planning, bonuses, promotions, educational opportunities, human resources planning, and so forth.

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Next important ethical dilemma that could be; how are the results of the performance appraisal to be used? So, should it be used for managerial succession planning? Should it be used for bonuses promotion, educational opportunities, human resource planning or for punishing the people? So, you do not know like what is the purpose that is getting use for.

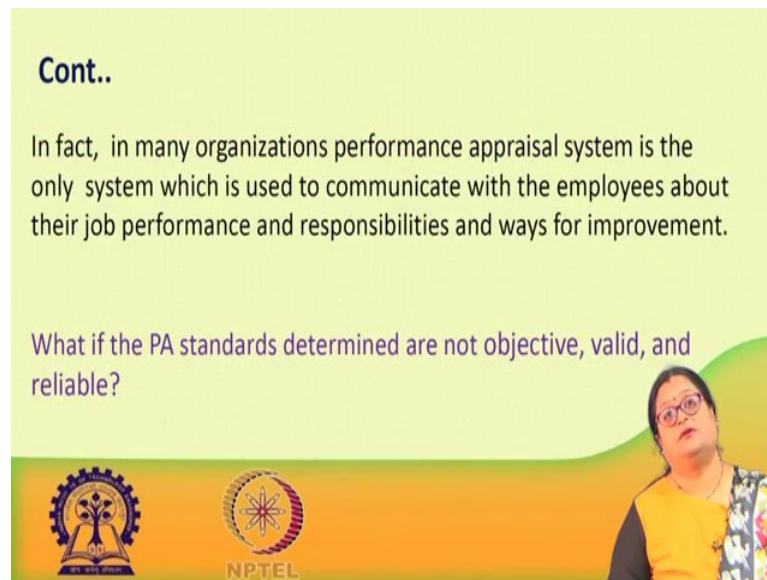
So, there is there is always a doubt in the person's , the employee's mind like, how the results will be used for. Like whether it is in the for the development growth and benefit of the person or these will be used against the person to take actions against the performer. So, in that case what happens like there should be in the organization lot of transparency to make the people understand that, what will be the use of this performance appraisal data that people get through.

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In fact, in many organizations performance appraisal system is the only system which is used to communicate with the employees about their job performance and responsibilities and ways for improvement.

What if the PA standards determined are not objective, valid, and reliable?

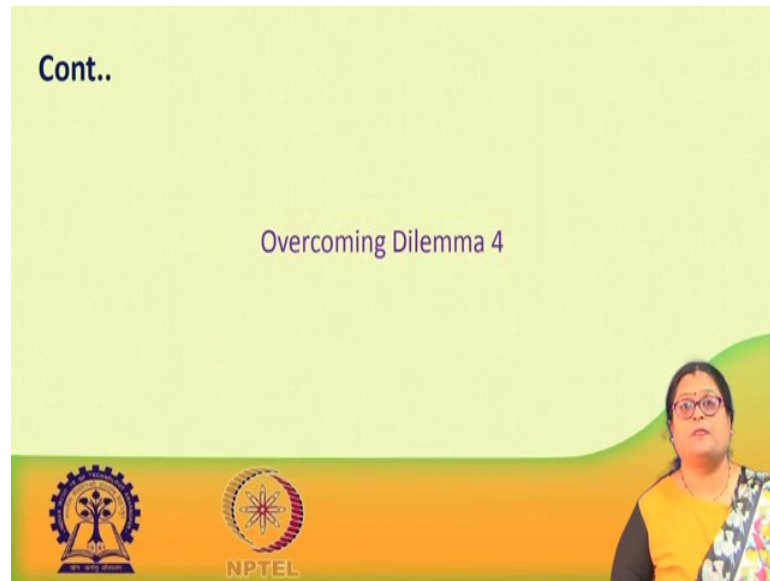


So, in many organizations like, performance appraisal system is the only system which is used to communicate with the employees. In fact, in many organizations; performance appraisal system is the only system, which is used to communicate with the employees about their job performance and responsibilities and the ways for improvement.

Now, if we understand it is so important in communicating to the employees about their job performance responsibilities. And how they can improve in for themselves? Then we have to understand like the measures that we use for it the performance appraisal standard should be objective in nature, valid and reliable. So, what like in the question over here is like what if the performance standards are not objective valid and reliable, then it who brings down the whole purpose of the performance appraisal system. Because if the yardstick with what we are measuring with what we are telling a particular person about his or her performance.

If the measure itself is wrong, if it is not valid and reliable; then how can we like talk about judging other person's performance and decide about whether the person is a good performer or not whether the person needs to be improve improving himself or not. So, this is very important that the standards of measuring should be objective valid and reliable in nature.

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Now, what can be here we will now discuss like what can be done to overcome this dilemma.

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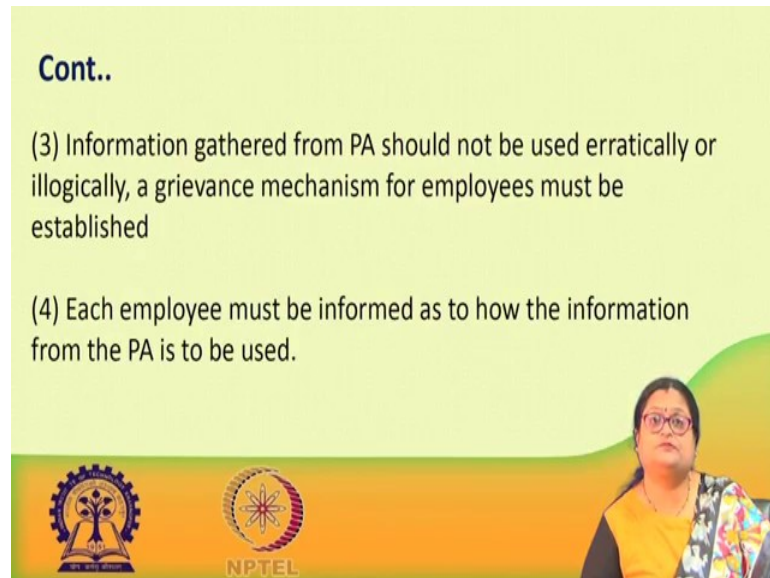


So, to overcome this dilemma of performance standards and to develop performance standards which are reliable and valid in nature. So, what we have to do is to give appropriate time? What we have to do is to give appropriate time?

So, appropriate amount of time must be spent in developing performance standards. It should not be done hurriedly. So, it should be ensured; that the standards are objective

reliable and valid through different crosschecks through experts view. And taking the maybe these views of the industries to through different statistical techniques; it should be ensured like these standards are objective reliable and valid in nature.

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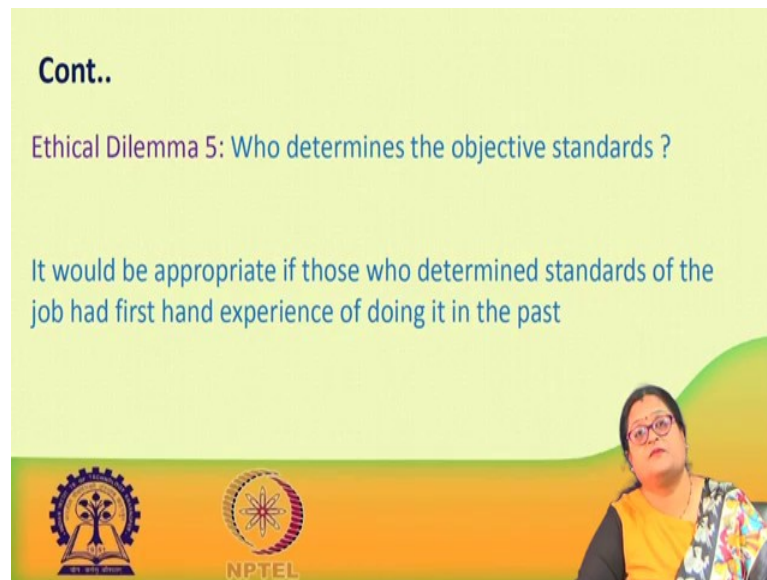
(3) Information gathered from PA should not be used erratically or illogically, a grievance mechanism for employees must be established

(4) Each employee must be informed as to how the information from the PA is to be used.

The slide features a light green background with a yellow-to-green gradient at the bottom. On the left, there are two logos: the Indian Institute of Technology (IIT) logo and the NPTEL logo. On the right, there is a small video inset of a woman with glasses and a colorful patterned shawl, who is the speaker for this segment.

So, third is the information gathered from performance appraisal should not be used erratically or illogically and a grievance mechanism for employees must be established, grievance handling mechanism. So, if somebody is not satisfied with the performance appraisal; that person must be given avenue to voice his or her concern to the authority. So, each person again may must be informed as to how the information from the performance appraisal is to be used.

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Ethical Dilemma 5: Who determines the objective standards ?

It would be appropriate if those who determined standards of the job had first hand experience of doing it in the past

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Now, the question also is like the one of the ethical dilemma is, who determines the objective standards? Who determines like the what is the best criteria for determining a performance? So, it would be appropriate like who determined the standards of the job had firsthand experience of doing it in the past if somebody is not experienced with the job.

And like it does not know, what are the components of the job has? What are the may be the hassles people face while carrying it out. Then they may develop the standards that maybe sometimes unrealistic expectations also. So, to determine standards which are objective in nature, which are appropriate which are doable is it is very much required, that the people who are determining these standards must have first time firsthand experience; so, doing the job in the past.



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Participative style must be followed while determining PA measures

So, again the participative styles must be followed while determining their performance appraisal measures. So, the relevant stakeholders can put their views and their concerns together and then taking all the views together and realistically achievable objective standards can be set.

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**References:**

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So, these are the references that we have for these slides. And, any questions please put it into the forum and we will be happy to answer to those questions.

Thank you.