

Answer any 3 of 5 questions

May / June 2015

#### CHAPTER 4

Read through the scenario below and answer the questions that follow.

The economy is growing and as a result there is a rise in the demand for motor vehicles. Temba works at the Mercedes Benz plant in East London, one of the industry leaders in the motor industry. Due to the current demand and the risk in production targets, he has been under pressure to improve his performance in recent months. Unfortunately Temba is not solely responsible for the final product because his job performance is dependent on many other people working with him on the assembly-line. Recently his supervisor has been complaining that Temba's performance is not up to standard. Themba feels demotivated by these complaints and needs his role and position in the company to be re-assessed.

- 1.1 Discuss the process that should be followed to clarify Temba's position and role in the motor company (9)

Given to Laura

- 1.2 What is the most suitable approach for measuring Temba's performance? (1)

Given to Laura

- 1.3 Discuss the approach and the circumstances under which this approach (the approach you identified in question 1.2) is the most appropriate and provide examples from the motor industry (15)**

#### **Approach summary**

Behaviour Approach is most suitable when:

- The link between behaviours and results is not obvious.

The behavior approach is most appropriate under the following circumstances:

- *The link between behaviors and results is not obvious.* Sometimes the relationship between behaviors and the desired outcomes is not clear. In some cases, the desired result may not be achieved in spite of the fact that the right behaviors are in place. For example, a salesperson may not be able to close a deal because of a downturn in the economy. In other cases, results may be achieved in spite of the absence of the correct behaviors. For example, a pilot may not check all the items in the preflight checklist but the flight may nevertheless be successful (i.e., take off and land safely and on time). When the link between behaviors and results is not always obvious, it is beneficial to focus on behaviors as opposed to outcomes.
- *Outcomes occur in the distant future.* When the desired results will not be seen for months, or even years, the measurement of behaviors is beneficial. Take the case of NASA's Mars Exploration Rover Mission program. NASA launched the exploration rover Spirit on June 10, 2003, which landed on Mars on January 3, 2004, after traveling 487 million kilometers (302.6 million miles). Its twin, the exploration rover Opportunity, was launched on July 7, 2003, and landed on the opposite side of Mars on January 24, 2004. From launching to landing, this mission took about six months to complete. In this circumstance, it is certainly appropriate to assess the performance of the engineers involved in the mission by measuring their behaviors in short intervals during this six-month period rather than waiting until the final result (i.e., successful or unsuccessful landing) is observed.

## Results Approach

Appropriate Under the following circumstances:

- Workers are skilled in the needed behaviours – they have the necessary knowledge and skills to the work, they know what specific behaviours are needed to achieve desired results and can correct any process-related problems
- Behaviours and results are obviously related. Certain results can only be obtained if a worker engages in certain specific behaviours. Jobs involving repetitive tasks (assembly lines or newspaper delivery)
- Results show consistent improvement over time – this is an indication that workers are aware of the behaviours needed to complete a job successfully.
- There are many ways to do the job right – an emphasis on results could encourage employees to achieve the desired outcomes in creative and innovative ways.

**TABLE 3** Behavior Approach Versus Results Approach

*Adopting a behavior approach to measuring performance is most appropriate when*

- The link between behaviors and results is not obvious
- Outcomes occur in the distant future
- Poor results are due to causes beyond the performer's control

*Adopting a results approach to measuring performance is most appropriate when*

- Workers are skilled in the needed behaviors
  - Behaviors and results are obviously related
  - Results show consistent improvement over time
  - There are many ways to do the job right
- 

### 4.3 Trait Approach

The trait approach emphasizes the individual performer and ignores the specific situation, behaviors, and results. If one adopts the trait approach, raters evaluate relatively stable traits. These can include abilities, such as cognitive abilities (which are not easily trainable) or personality (which is not likely to change over time). For example, performance measurement may consist of assessing an employee's intelligence and conscientiousness at the end of each review period. This approach is justified based on the positive relationship found between abilities (such as intelligence) and personality traits (such as conscientiousness) and desirable work-related behaviors.<sup>23,24</sup> Several vendors provide tools to assess relatively stable traits

What are some of the challenges of implementing a system that emphasizes the measurement of traits only? First, traits are not under the control of individuals. In most cases, they are fairly stable over one's life span. They are not likely to change even if an individual is willing to exert substantial effort to do so. Consequently, employees may feel that a system based on traits is not fair because the development of these traits is usually beyond their control.<sup>25</sup> Second, the fact that an individual possesses a certain trait (e.g., intelligence) does not mean that this trait will necessarily lead to desired results and behaviors. As noted in Figure 1, individuals are embedded in specific situations. If the equipment is faulty and coworkers are uncooperative, even a very intelligent and conscientious employee is not likely to engage in behaviors conducive to supporting the organization's goals.

#### Question 2

Read the following case study and answer the questions that follow

All Frito-lay products, including Lays, Doritos and Sun Chips, are put on store shelves by route sales representatives (RSRs). Frito-Lay has almost 50 000 employees, of which more than one-third is RSRs. Their job includes driving the products to retailers, merchandising, taking orders and negotiating for additional shelf space. The performance of the RSRs was generally measured using sales figures, because the job was paid on commission. But when Frito-Lay discovered that it was having difficulty meeting profitability goals because of low productivity and high turnover of the RSRs, other additional performance measures were introduced to help solve the problem. Supervisors now evaluate RSRs on sales, driving and delivering tasks, and merchandising tasks at the retailers.

The Frito-Lay company was aware that RSRs had two types of routes low-sales-volume routes, which had many small retailers, and high-sales-volume routes, which had only a few retailers which where each retailer sold much more products. An analysis of the new performance data showed that sales skills had the greatest impact on the low-volume routes. More specifically, being able to negotiate greater shelf space was critical to the sales and customer satisfaction on these routes. On high-volume routes, driving and delivery skills had the greatest impact on sales and customer satisfaction, primarily because of the tight delivery windows large retailers imposed on RSRs. Based on the insights, performance goals and measures were adapted to reflect differences in the types of routes.

Frito-lay was able to restructure the job of the RSRs so that the most important tasks for the specific type of route assigned to the RSRs were the highest priority. The new measures made it possible to track performance on the tasks that mattered most and hlepded RSRs understand how to increase sales and maximise their commissions.

2.1 The implications for performance goals, performance measures and the restructuring of jobs for RSRs at Frito-Lay, have been shown in the case study. Discuss the implications for each of these in more detail (6)

1. Sales and skills had the greatest impact on the low-volume routes.
2. Based on the insights, performance goals and measures were adapted to reflect differences in the types of routes.
3. Frito-lay was able to restructure the job of the RSRs so that the most important tasks for the specific type of route assigned to the RSRs were the highest priority.
4. The new measures made it possible to track performance on the tasks that mattered most.
5. The new measures helped RSRs understand how to increase sales and maximise their commissions.

2.2 What are the advantages of performance management for the employees and the management of Frito-Lay, as demonstrated in this case study? Provide examples from the case study (12)

1. Motivation to perform is increased.
2. Self-esteem is increased.
3. Managers gain insight about subordinates.
4. The definitions of job and criteria are clarified.
5. Self-insight and development are enhanced.
6. Administrative actions are more fair and appropriate.
7. Organizational goals are made clear.
8. Employees become more competent.
9. Employees misconduct is minimized.
10. There is a better protection from the lawsuits.

**2.3 Discuss the conditions that should apply for performance management to be implemented successfully (7)**

1. Convey reasons for such a system to all participants
2. Ensure the top managements commitment to the system

3. All participants should take part in the development and implementation
4. Organisational culture should have a focus on delivery outputs
5. All managers should be properly training in applying the PM system
6. PM should not be implemented in isolation, other HR systems should allow for the PM system

### Question 3

Read the following case study and answer the questions that follow.

Performance management at Polokwane Printers. Is it effective or not?

Polokwane Printers was established in 1995. The company provides printing services to a large client base in the Limpopo province. The university of the North is one of the company's biggest clients. As with many modern printing companies countrywide, facing resource challenges and experiencing the need to service an increasingly diverse customer base, Polokwane Printers has implemented numerous initiatives.

One such initiative is a performance management system. However, several of the components of the performance management process at Polokwane printers have not been properly implemented. Firstly, there is no evidence that employees know exactly what tasks are involved in carrying out their jobs. Employees are not even sure if they possess the skills and knowledge required for their jobs. Employees seem to be generally lost concerning the role of their positions in this company.

Secondly the forms according to which employees are rated contain vague statements such as "general behaviour". The forms include no specific definition of what "general behaviour" is or any examples that explain to employees (or managers) what would lead to a high or low rating in this category. In addition there is no evidence that managers have to sit down with employees to work out mutually agreed-upon goals. All the employees are rated using the same form, regardless of their job responsibilities.

Thirdly, there is no evidence that managers have consulted employees at some point to ensure that they are on the right track. Employees are not sure if what they are doing is exactly what is expected of them. Fourthly, no formal or informal discussions of results and needs follow-up steps occur after the subordinates and managers have completed their forms.

Finally, employees are often rated by different people – this frustrates employees the most. For example, sometimes the Director of Human Resources will rate employees, even though she has not been in direct contact with them. This results in employees not trusting Polokwane Printers performance management system

Answer from tutorial letter:

It is stated that in the scenario that "there is no evidence that the employees know exactly what tasks they have to do to carry out their jobs" and that they are not sure "if they have the skills and knowledge required for their jobs". Advise the library's management of the process they can follow to help employees understand their jobs better (5)

The job analysis process should be applied in order to clarify the roles of each employee (1 mark). This process refers to determining the key components of a particular job, including activities and processes (2 marks) Without it, it is difficult to understand what constitutes the required roles and

duties for a particular job (1 mark) as well as the knowledge and skills relevant to pursue them (1 mark)

**3.1 From the case study, it is evident that four (4) components or stages of the performance management process have not been implemented. Identify and explain each of these stages. Provide a reason for your answer by quoting from the case study (16)**

Answer from the tutorial letter:

The first performance management component omitted in the case study is the prerequisite stage (Stage 1) (1 mark). This is the stage where the employees get clarity on exactly what tasks are involved in their jobs (1 mark). It is stated in the case study that employees seem to be generally lost as to what their roles are in the library. The prerequisite stage would also help employees in this organisation to know if they possess the required skills and knowledge in their jobs (2 marks).

The second component missing in the case study is the performance planning stage (stage 2) (1 mark). This is where the manager and the employee meet to discuss, and agree upon, what needs to be done and how it should be done (1 Mark). The case study emphasises that the fact that the forms used to rate employees performance, contain vague items such as "general behaviour" with no specific definition of what "general behaviour" is or examples explaining to employees (or managers) what would lead to the accepted behaviours and results (2 marks).

The third component missing in the case study is the performance assessment (stage 4) (1 mark). This stage involves an evaluation of the extent to which the goals stated in the development plan have been achieved. In other words, whether employees are on track regarding the set standards and targets (1 mark).

It is stated in the case study that there is no evidence that managers, at some point, consult employees to see if they are on the right track. In addition, employees in this organisation are not sure if what they are doing is what is expected of them (2 marks).

The fourth component missing in the case study is the performance review/appraisal (stage 5) (1 mark). This is a formal setting in which the employees receive feedback on their performance (1 mark). It is stated in the case study that in this organisation there is no formal or information discussion of results and follow-up steps after the subordinates and managers have completed their forms (2 marks).

**3.2 DO NOT ANSWER OUT OF SCOPE Explain to Polokwane Printer's management how the 360-degree feedback technique can be applied in an attempt to improve the company's current performance management system (6)**

Answer from Tutorial Letter:

The 360 degree feedback system refers system that collect information anonymously from more than one source in order to decrease changes of biases and conflicts; as well as minimised ration inflation (1 mark)

The **360 Degree** feedback system refers system that collect information anonymously from more than one source in order to decrease chances of biases and conflicts; as well as minimised rating inflation **(1 mark)**.

In the case study, it will help employees to trust the organisation's performance management system because instead of only relying on just one person to rate performance (in the case study the rater does not work directly with employees), 360-Degree feedback involves many other relevant sources to collect the performance information. **(2 marks)**

3.3 Advise Polokwane Printers management on the importance of having a performance management policy in the organisation (3)

- Strategic business consideration
- Ongoing feedback
- So employee can improve performance
- Driven by Line Manager

Question 4:

Read the following case study and answer the questions that follow

A developmental plan: what solution can it bring?

Tammie, your close friend, came to pay you a visit. You quickly realised from his face that he was somehow troubled. He initially denied this when you asked, but later admitted it.

“my friend, I don't know how to explain this to you so you will understand. I was recently promoted to a supervisory position. I could even say this position was actually imposed on me because I did not want it. There is too much responsibility attached to this new position, which is what I'm actually afraid of. I'm not confident that I have all the competencies and skills needed to become a supervisor and I feel that I am better off in my current position. I've been in this position for the past seven years, and think that I'm still doing just fine. What makes things even worse is that they want to force me into a management development training course, which they claim will prepare me the position. I am not convinced. In a nutshell, my friend, the leadership position is not a priority for me. So, will you do me a favour? Please speak to the management of my organisation and tell them that I am not really interested in their offer”

You thought about this for a few days and although you found it difficult, you decided to meet with the management of Tammie's organisation to discuss his situation.

4.1 What is the overall objective of a developmental plan? (3)

- The objective of a development plan has to show areas for improvement
- Goals to be achieved in each area of improvement
- Improve performance in current job
- Sustain performance in current job
- Prepare employees for advancement
- Enrich employees work experience

4.2 Tammie presents the typical symptoms of resistance to change. Quote his remarks from the case study which illustrates his resistance to change and his fear of the new situation (5)

There is too much responsibility attached to this new position, which is what I'm actually afraid of. I'm not confident that I have all the competencies and skills needed to become a supervisor and I feel that I am better off in my current position. I've been in this position for the past seven years, and think that I'm still doing just fine. What makes things even worse is that they want to force me into a management development training course, which they claim will prepare me for the position. I am not convinced.

4.3 Who should design the development plan for Tammie? Provide a justified reason for your answer (6)

Anguinis points out the following as the roles of the supervisor in the creation and completion of the employee's developmental plan:

1. The supervisor needs to explain what should be required for the employee to achieve the desired performance level, including the steps that an employee must take to improve his/her performance. This information needs to be provided together with information on the probability of success if the employee completes the suggested steps.
2. The supervisor has a primary role in referring the employee to the appropriate developmental activities that can assist the employee in achieving his/her goals. This includes helping the employee select a mentor, appropriate reading resources, courses and so forth.
3. The supervisor reviews and makes suggestions about the developmental objectives. Specifically, the supervisor helps ensure that the goals are achievable, specific and doable.
4. The supervisor has the primary responsibility of checking on the employee's progress towards achieving developmental goals.
5. The supervisor needs to provide reinforcements so the employee will be motivated to achieve the goals.

4.4 What should be included in the development plan for Tammie, and why? (6)

Given to Rose

4.5 Discuss the guiding principles of the coaching process, as it would apply in this case study (5)

**A good coaching relationship**- the relationship between the coach & the employee be trusting & collaborative. The coach must listen in order to understand. The coach needs to try to walk in the employee's shoes & view the job & organisation from his or her perspective.

**The employee is the source & director of change**- The coach must understand that the employee is the source of change & self-growth. Change will not happen if the employee is not in the driver's seat. The coach needs to facilitate the employee's setting the agenda, goals & direction.

**The employee is whole & unique**- understand that each employee is a unique individual with several job-related & job-unrelated identities (eg computer network specialist, father) & a unique personal history. It will be beneficial if the coach has knowledge of & can help the employee connect his/her life & work experiences in meaningful ways.



**The coach is the facilitator of the employee's growth-** The coach's main role is one of facilitation. A coach must direct the process & help with content (eg of a developmental plan), but not take control of these issues.

**NB: This is just theory, still needs application to the case study**

Given to Rose

Question 5

5.1 Discuss the effect that different types of teams have on performance management (6)

Team performance management must consider the type of teams in question before performance measures are put in place. different performance measurement methods are particularly appropriate depending on the team being evaluated. Work and service teams can clearly benefit from peer ratings because members observe one another's performance on a daily basis. In addition , because team members have similar responsibilities, everyone is familiar with competencies needed to do the job. Project teams do not stay together for long periods of time, and therefore, the measure of results at the end of the project may not benefit the teams development since the team is likely to disband as soon as the project is finished.

**Service or work teams** can clearly benefit from peer ratings because team members observe one another's performance on a daily basis. Also team members have similar responsibilities; everyone is familiar with the competencies needed.

**Project teams** do not stay together for long periods, measurement of results at the end of the project may not benefit the team's development, and hence measurements should be taken periodically as the team works on the project so that corrective action can be taken before the project is completed.

**Network/process teams** are transitory & engage in unique tasks on an as-needed basis. PM of network teams emphasises the future instead of the past & focuses on developing individual competencies, such as the team members' capacity to solve problems, adapt & be flexible to innovate.

5.2 Provide a critical analysis of the main reasons why companies introduce pay-for-performance rewards (4)

The main reasons for introducing pay-for-performance rewards are as follows:

- **To support strategic objectives.** Whether the performance goals are tied to growth, customer service, or other areas, tying pay to achievement usually improves performance in that area. To provide the motivation needed to achieve both strategic objectives, large bonuses are rewarded to units delivering both outstanding growth and profits.

- **Managing labour cost.** Incentives are a form of variable pay. When profits are up, money can be spent on rewarding employees with lump sum payments. If profits go down, the employer is not obligated to spend money on incentive pay.

- **Attracting, retaining and motivating talent.** By paying for performance, a company signals that it is interested in employees who want to be paid for good performance. This is more likely to attract good rather than poor performers. Once employees have been hired, performance-based pay can influence employee satisfaction and their decisions to stay or leave. The more valence an incentive has, the more highly performance is motivated.

- 5.3 **NOT INCLUDED** Justify the use of Critical Success Factors (CSFs) and Key performance indicators (KPIs) in performance management systems (5)
- 5.4 How can companies ensure that their performance management decisions regarding promotion, remuneration and terminations are legally defensible (5)

Given to Charmaine

October / November 2015

Answer any 3 of the following 5 questions

Given entire question 1 to Bonggi

Question 1

Due to the worldwide recession, Sarah, a saleslady at PQM insurers, is finding it difficult to reach her monthly target as indicated in her performance agreement at the beginning of the year. She is very upset, since she feels that her poor performance is not her fault.

- 1.1 Identify the approach suitable to measure Sarah's performance and provide two other approaches which can be used (4)
- 1.2 Distinguish between the performance-measuring approach you have identified in question 1.1. and the other two approaches you have described, and give practical examples of each (12)
- 1.3 Briefly explain the role played by job analysis in the process of performance management (3)
- 1.4 Different types of teams have different implications for performance management. Discuss these implications (6)

**Service or work teams** can clearly benefit from peer ratings because team members observe one another's performance on a daily basis. Also team members have similar responsibilities; everyone is familiar with the competencies needed.

**Project teams** do not stay together for long periods, measurement of results at the end of the project may not benefit the team's development, and hence measurements should be taken periodically as the team works on the project so that corrective action can be taken before the project is completed.

**Network/process teams** are transitory & engage in unique tasks on an as-needed basis. PM of network teams emphasises the future instead of the past & focuses on developing individual competencies, such as the team members' capacity to solve problems, adapt & be flexible to innovate.

1.5

Question 2

Consider the scenario and answer the questions that follow

Evaluating employee performance in absentia: Good practice?

Lindi is a sales manager at a large pharmaceutical company. The fiscal year will end in one week. She is overwhelmed by the end-of-the-year tasks, including reviewing the budgets that are likely to be allocated to her in the following year, responding to customers phone calls, and supervising a group of 10 sales people. It is very hectic time, probably the most hectic time of the year. She receives a phone call from the human resources (HR) department: "Lindi, we have not yet received your performance appraisals for the your 10 employees, they are due by the end of the fiscal year". Lindi thinks "oh, those performance appraisals, what a waste of time"! From Lindi's point of view, completing those seemingly meaning forms has no value whatsoever. She does not see her subordinates in action because they are in the field, visiting customers most of the time. Their sales figures, which depend more on the products offered and geographic territory covered than on individual effort or the motivation of each salesperson, are the only tangible evidence of their performance. Besides, nothing has been forthcoming in terms of awards, regardless of her ratings. These are lean times in her organisation, and salary adjustments are based on seniority rather than on merit. She has less than three days in which to hand in her forms.

What will she do? She decides to follow the path of least resistance, which is giving her employees average ratings. In this way, Lindi believes the employees will be happy with their ratings and she will not have to deal with complaints or follow-up meetings. Lindi fills out the forms in less than 20 minutes and gets back to her "real job".

2.1 Which stage of the performance management process resembles what Lindi is doing in this scenario? Give reasons for your answer (3)

Lindi is at the performance assessment stage. This is the monitoring/evaluation stage, in which both Lindi and her employees are responsible for evaluating the extent to which the desired behaviors are been displayed & whether the desired results have been achieved. Since Lindi has failed to complete this stage she will not be able to determine whether the goals of the development plans are being achieved or not.

2.2 Identify the rater error that Lindi is making in this scenario. Substantiate your answer (2)

Lindi gave her employees average ratings, this refers to the central tendency error. The central tendency error occurs when employees are incorrectly rated near the average or middle of a scale while the extremes are avoided. The result is that most or all employees are rated as "average". This is also an intentional type of error and is mainly caused by the supervisor's desire to play it safe.

2.3 Advise Lindi that the performance management comprises six stages. To make her understand analyse the role played by each of the following stages of the performance management process in ensuring that employee performance contributes to the performance of the organisation as a whole:

- A) Prerequisite stage (4)
- b) Performance planning stage (4)
- c) Performance assessment stage (4)
- d) Performance recontracting and renewal stage (4)
- a) Prerequisite stage (4)

During this stage the mission and strategic goals of the organisation as well as the details (knowledge, skills and abilities) of the job are clarified. This will provide employees with the knowledge of how exactly their daily duties can contribute to the achievement of the goals of the organisation.

b) Performance planning stage (4)

In this stage the manager communicates to the employees the results, behavior and performance standards expected of them. They also agree on a development plan. Targets are set at this stage which enables managers to measure the performance of the employees.

c) Performance assessment stage (4)

This is the monitoring/evaluation stage, in which both manager and her employees are responsible for evaluating the extent to which the desired behaviors are being displayed & whether the desired results have been achieved.

d) Performance re-contracting and renewal stage (4)

In this stage the information gathered from other stages is analysed so that correct action can be taken in the next cycle.

Two prerequisites for the implementation of performance management are

1. **Knowledge of the organisation's mission & strategic goals**- strategic goals cascade down the organisation & lead to concrete actions, effort must be made to link them with individual performance. Once organisational strategies have been defined, senior management meet with department/unit managers to obtain inputs from people within their units to create unit level mission & vision statements, goals & strategies. Critical to ensure each unit mission & vision statement, goals & strategies are consistent with organisational level. Job descriptions are then revised to ensure consistency. PM system includes results, behaviour & developmental plans consistent with the organisational & departmental level priorities & individual job descriptions.

**Organisation's mission statement**– A statement of what the organisation is all about.

An example of a mission statement of a bank could be:

Our mission is to operate as a high-performing financial institution providing a wide range of profitable, competitive & superior financial services in our market

**Organisation's vision statement**– A statement of where the organisation intends to be in the long run, say, in 10 years.

An example of a bank's vision statement could be: "We will become SA's pioneers in financial services"

**Organisational goals**– refer to a statement of what the organisation hopes to achieve in the medium- to long-range period (ie in the next three years or so).

**Organisation's strategies**– A description of a game plan or the how-to procedures to fulfil the mission & vision statements, as well as how to achieve the stated goals.

**Knowledge of the job in question**-done through the process of job analysis, a process of determining the key component of a particular job, including activities & processes. It's a prerequisite of any PM process. Without it, it is difficult to understand what's required duties for a particular job. As a result of JA we get information on the task to be carried out & the knowledge, skills & abilities (KSAs) required for a particular job. The two products of JA are the job description & job specification

2.4 Discuss the evaluative and multidimensional nature of behaviour which we label as performance (4)

Performance management systems include measures of both behaviours (what an employee does) and results (the outcomes of an employee's behavior).

Two additional characteristics:

- **Evaluative:** Behaviours can be judged as negative, neutral, or positive for individual and organisational effectiveness.
- **Multidimensional:** There are different kinds of behaviours that have the capacity to advance or hinder organisational goals.

Not all behaviours are observable and measurable; PM systems include measures of results or consequences that are the direct result of employee's behaviours

Question 3

3.1 Discuss the two general objectives of performance-related reward plans (4)

**General objectives of performance related reward plans rewards can be seen as being directed at achieving one or both of the two main objectives**

- ✓ Economic objective- when performance-related rewards are introduced in the organisation employees' task motivation & work efforts increase & also the desired performance outcomes.
- ✓ The economic objective can be broken down into 3 more specific purposes:
  - **Increasing task motivation**–involves using performance-linked rewards to motivate or “incentivise” greater work effort per unit of time worked, resulting in increased labour productivity & reduced labour costs
  - **Altering performance standard**—using a combination of formal performance measurement & performance-contingent rewards to renegotiate pre-existing performance standards.
  - **Increasing labour cost flexibility**– Also known as “financial flexibility”, involves using performance-contingent pay to vary pay levels & aggregate labour in line with changes over time in the organisation's “capacity to pay”.
- ✓ Cultural objective-serve to transform employee values, attitudes & behaviour so as to draw out higher levels of organisational commitment, membership behaviour &/or organisational

citizenship behaviour. These rewards can be used to shape or reshape the organisation's culture.

3.2 Discuss how the following can pose as constraints for managers in observing employees performance regarding developmental plans

Constraints that managers might experience in attempting to observe an employee's performance regarding developmental plans:

- ✓ **Time constraints**- Managers too busy to gather & document information on an employee's progress towards his/her developmental goals. Time may elapse between the assignment & the manager's checking on the employee progress.
- ✓ **Situational constraints**- unable to observe employees as they engage in developmental activities & therefore may not have first-hand knowledge of their performance.
- ✓ **Activity constraints**- When the developmental activity is highly unstructured, such as an employee reading a book, the manager may have to wait until the activity is completed to assess whether the activity has been beneficial.

- a) Time constraints (2)
- b) Situational constraints (2)
- c) Activity constraints (2)

3.3 One way of improving employee performance is through coaching. Discuss five activities coaches need to perform in order to turn feedback into results (10)

Coaching helps turn feedback into results. For this to happen, coaches need to engage in the following:

- ✓ **Establish development objectives.** The manager works jointly with the employees in creating the developmental plan and its objectives.
- ✓ **Communicate effectively.** The manager maintains regular and clear communication with employees about their performance, including both behaviors and results.
- ✓ **Motivate employees.** Managers must reward positive performance. When positive performance is rewarded, employees are motivated to repeat the same level of positive performance in the future.
- ✓ **Document performance.** Managers observe employee behaviors and results. Evidence must be gathered regarding instances of good and poor performance.
- ✓ **Give feedback.** Managers measure employee performance and progress toward goals. They praise good performance and point out instances of substandard performance. Managers also help employees avoid poor performance in the future.
- ✓ **Diagnose performance problems.** Managers must listen to employees and gather information to determine whether performance deficiencies are the result of a lack of knowledge and skills, abilities, or motivation or whether they stem from situational factors beyond the control of the employee. Diagnosing performance problems is important because such a diagnosis dictates whether the course of action should be.
- ✓ **Develop employees.** Managers provide financial support and resources for employee development (e.g., funding training, allowing time away from the job for developmental activities) by helping employees plan for the future and by giving challenging assignments that force employees to learn new things.

3.4 Briefly explain what will happen if we only focus on critical success factors when measuring organisational performance, without providing their key performance indicators (5)

**Briefly explain what will happen if we only focus on critical success factors when measuring organisational performance, without providing their key performance indicators.**

- ✓ Generally, a CSF provides a qualitative description of an element of the strategy in which the organisation has to excel in order to be successful.
- ✓ The CSF is quantified (made measurable) by a KPI.
- ✓ The use of CSFs and KPIs enables measurement, and thus control of strategic objectives.
- ✓ If performance indicators that measure the execution of the strategy and the creation of value are not included in the performance management process, it will remain unclear whether strategic objectives and value creation are being achieved.

Question 4

Read the scenario below and then answer the questions

Who's the boss?

In 1995, when Ronald baron became ABSA's chairperson and Tony Thomson became its president, they had one major goal to focus the performance of the entire workforce on success. It is a simple idea, but not so easy to implement. For example, how would they convince entry-level bank tellers to think of their work not just as means to a pay cheque, but also as a direct contribution to the wellbeing of ABSA shareholders?

The answer was that ABSA managers called a balanced-scorecard approach. To be competitive, managers realised, the bank had to meet the needs of all its stakeholders. In order to achieve this, every single department and every employee had to understand how their work contributed to the success of meeting stakeholder needs. Each employee's performance would thus also be evaluated according to how he/she enabled the bank to meet the needs of stakeholders. The newly appointed tellers did not understand this new approach and they came to see you as their line manager for clarity on the approach.

4.1 **NO LONGER PART OF SYLABUS** Firstly, explain to the new tellers why we need a balanced scorecard in managing organisational performance (10)

4.2 **NO LONGER PART OF SYLABUS** Briefly discuss with the management of ABSA any seven implementation pitfalls that should be avoided when introducing the balanced-scorecard approach (7)

4.3 Distinguish between results and efforts indicators and explain why the organisation should monitor both (8)

Question 5

Read the following statement and answer question 5.1

“if the world economy in Sara’s case study in question 1 improves, there is hope that her performance will improve. She will bring more clients to the organisation, which will improve the organisation’s sales level. However the organisation will also then have to consider paying her for her good performance”

- 5.1 Discuss any five disadvantages of pay-for-performance plans. Refer to Sarah’s scenario for each disadvantage discussed (15)

**1. A poor performance management system is in place**

- Employees may challenge the CP plan legally

**The folly of rewarding A while hoping for B –**

- Rewarding results and behavior Not part of organizational goals

**3. Rewards are not considered significant –**

- Rewards must be meaningful for all employees

**4. Managers are not accountable**

**5. There exists extrinsic motivation at the expense of intrinsic motivation**

- exclusive emphasis on rewards

**6. Rewards for executives are disproportionately large compared to rewards for everyone else**

**5.2 Briefly explain any five important concepts that are often relevant in the case of litigation related to performance management (10)**

There are 6 important concepts that are often relevant in the case of litigation related to the implementation of a performance management system:

1. Employment at will – involves an element of employee dismissal. The employee or employer can end the relationship at any time.
2. Negligence – when the system is described in documents, employment contract or other materials and the system has not been implemented as what was expected she may be able to challenge the system based on negligence on the part of the organisation.
3. Defamation – the disclosure of untrue, unfavourable performance information that damages an employee’s reputation. It can also occur if the organisation negligently or intentionally communicates these statements to a third party. This is only the disclosure of untrue information.
4. Misrepresentation – this is disclosing untrue favourable performance and this information causes risk or harm to others. For example providing a glowing recommendation when there was poor performance.
5. Adverse impact – also called unintentional discrimination is when the performance management system has an unintentional impact on a protected class, such as women consistently receiving lower performance ratings.
6. Illegal discrimination – also called disparate treatment means the raters assign scores differently to various employees based on factors that are not performance related such as race, nationality, colour, ethnic origin.

May / June 2016

Question 1: Read the following scenario and then answer the sub-questions that follow:

Managing employee performance as a formality: A dangerous game



You have just been appointed as a human resource manager at Dakar Trading Store, a retail distributor. Dakar Trading Store experiences problems as a result of poor communication between line managers and employees. There is no clear understanding of objectives, and no recognition of failure or success in meeting the company's objectives. The organisation evaluates or reviews the performance of employees once a year and keeps the records of these reviews, but nothing is ever done to reward outstanding performance or to improve poor performance. Although employees know exactly what their duties are, they do not know exactly what is expected of them. Neither do they see the link between their performance and the objectives of the organisation as a whole. There is no team spirit among employees because they do not see the need for that. Instead employees compete for resources.

Staff records show very high absenteeism and staff turnover. Many employees, especially high performers, are dissatisfied and therefore the number of cases brought against the organisation at the Commission for Conciliation, Mediation and Arbitration (CCMA) is increasing. Records show that Dakar Trading Store has already lost money as the result of cases brought against them. The organisation now relies on your knowledge of performance management to help it rectify its PM system before it's too late.

## CHAPTER 1 AND 2 SO STUDY

**1.1 Do you think the approach followed at Dakar Trading can be regarded as performance management? Explain your answer (3)**

**1.2 Identify any five problems that have resulted from the poorly implemented performance management system at Dakar Trading Store. Explain your answer with reference to the scenario (10)**

The following is the list of disadvantages / dangers of poorly implemented PM Systems:

1. Increased staff turnover.
2. False or misleading information may be used for rating.
3. Self-esteem of employees may be lowered, due to inappropriate feedback.
4. Time and money are wasted.
5. Relationships are damaged.
6. Motivation to perform is decreased.
7. Employees may suffer from job burnout and dissatisfaction.
8. Increased risk of litigation because of employees being appraised unfairly.
9. Unjustified demands are made upon managers' resources.
10. Standards and ratings vary and are unfair.
11. Biases can replace organizational standards.
12. Mystery surrounds how ratings were derived.

The five that relate to the case study are:

1. Increased risk of litigation because of employees being appraised unfairly – as can be seen in that many cases have been brought before the CCMA and they have costed the organisation money.
2. Increased staff turnover which from the case study is “Staff records show very high absenteeism and staff turnover.”
3. “Many employees, especially high performers, are dissatisfied” which shows that employees may suffer from job burnout and dissatisfaction.
4. Unjustified demands are made upon managers’ resources and can be seen from the case study that that employees compete for resources.
5. Time and money are wasted as can be seen from the high number of cases brought to the CCMA.

**1.3 Identify any three of the performance management stages that should have been applied at Dakar Trading Store to avoid and resolve some of the problems in the scenario. Identify each problem in the scenario and indicate how each specific performance management stage could have prevented or resolved that problem (12)**

#### Question 2

2.1 **SKIP ITS CHAPTER 3** Use a diagram to illustrate the relationship between the performance management process and the strategic planning process of the organisation as a whole. Provide a detailed interpretation of the diagram (25)

#### Question 3

Read the scenario below and answer the questions

No Support ... No performance!

Zitha is one of the newly appointed engineers at ZZZ engineering company. He has recently received an honours degree with distinction from Gauteng University. He is in his second month at this company and things are not working out well for him, especially because this is his first real job. His line manager assumes that since he has an honours degree in engineering he should already be able to carry out his tasks perfectly. The manager believes that Zitha should be able to recall everything he has learned easily because he has just completed his studies. Zitha, on the other hand, thinks that his managers should understand that he needs hands-on training because he is a recent graduate and he has never worked before. He feels that he cannot meet his targets as he gets NO support from his manager or colleagues.

Zitha’s workplace situation causes him a lot of stress, especially since he has also been side-lined by his colleagues. One day when he walks down the passage, he overhears two colleagues gossiping about him “This Zitha boy is crazy! He thinks he can come here with his degree and claim a higher position, but then expects us to train him in the processes and systems here”

He is shocked! What he gathers from this conversation is that his colleagues at ZZZ actually find him to be a threat to them since he is the only one with an engineering honours degree. He concludes

that the treatment that he has received is a tactic to sabotage him. Zitha now want so apply for jobs at other companies.

**STUDY**

**3.1 Complete the following forumual and reflect on Zithas ordel**

Performance = \_\_\_\_\_ x \_\_\_\_\_ x \_\_\_\_\_ (6)

Performance is determined by a combination of declarative knowledge (i.e. information), proceduration knowledge (i.e. know-how), and motivation (i.e the willingness to perform). This Performance = Declarative Knowledge x procedural knowledge x motivation. If any of the three determinants of performance has a small value, then performance will also have a low value. All three determinants of performance must be present for performance to reach satisfactory (and better) levels.

**3.2 Use Zithas situation as an exampleto prove that if any of the determinants of performance in the above formula has a value of 0, then performance also has a value of zero. Explain your answer (13)**

If any of the determininats has a value of 0, then perfomrance also has a value of 0. In the case of Zitha. He has excellent declaritive knowledge, he knows engineering. However he does not have procedural knowledge, in other words he doesn't know the systems and processes that they use. The last item of motivation he seems to have.

<b>Declarative Knowledge</b>	<b>Procedural Knowledge</b>	<b>Motivation</b>
Facts	Cognitive skill	Choice to perform
Principles	Psychomotor skill	Level of effort
Goals	Physical skill	Persistence of effort
	Interpersonal skill	

**3.3 name and explain any two developmental activities that Zitha’s manager could implement to prevent Zitha from leaving the organisation (6)**

There are number of developmental activites:

- On the job training – employees are paired with a coworker or supervisor who designs a on-the-job training.
- Courses – in-house courses or tuition reimbursement.
- Self-guided reading – they can read books and study other resources. It is important that an objective be set regarding what will be read and in what timeframe
- Mentoring – mentoring is a developmental process that consists of a one-on-one relationship between a senior (mentor) and a junior (protégé)
- Attending a conference – this can help acquire knowdelge and skills, it is useful for the employee to provide a written report or deliver a presentation upon returning from the conference.
- Getting a degree – some organisations provide tuition reimbursements benefits.
- Job rotation – be assigned to a differnet job on a temporary basis.
- Temporary assignments – A less systemation rotation which allows them to work on challenging temporary assignements

- Membership or leadership role in professional or trade organisations – these distribute publications to its members and hold informational and formal meetings.

In this case study the most relevant are On-the-job training and mentoring.

#### Question 4

Read the scenario and answer the questions that follow:

What happens when performance management is implemented poorly?

Karabo works for Real Construction Company. She had been promoted several times in the past until she started working under the supervision of a new manager and her work situation deteriorated. Consequently, she laid a charge of unfair labour practises against the company at the CCMA. Her main concern was that every since she had been promoted and had to report to the new manager, he had ignored her. She did not get the same support or training as her male colleagues, although their performance review ratings were below average. This type of behaviour worsened after the manager received a call from the CCMA notifying him about the case.

For eight months Karabo received no feedback from her manager. Then one day he called her to his office and told her she did not meet the requirements set out in her performance agreement. He told her she would be demoted and her annual salary would be reduced by R20 000.

Karabo eventually won her case and the CCMA ruled that Real construction Company had to pay her R200 000 as compensation for the emotional distress and economic damages she had suffered.

#### **4.1 STUDY UNIT 2 Which stage of the performance management cycle absent from the Real Construction Company's performance management process? Briefly explain the purpose of this stage. Substantiate your answer with reference to the case study. (5)**

The performance execution stage and specifically the manager responsibilities is missing. In this stage the manager has the responsibility to observe and document the employee performance, update the employee or performance indicators should they change, provide feedback on a regular basis. They also need to ensure that resources are equipped with opportunities to participate in the development plan and reinforce both good and bad performance.

The case study reads "For eight months Karabo received no feedback from her manager, and then one day called her in and told her that she did not meet the performance requirements set out in the performance agreement". The manager therefore did not give her feedback (positive or negative) and help her to meet the requirements.

#### **4.2 STUDY UNIT 1 Identify and discuss three purposes of performance management that are applicable to his scenario. State how each purpose applies to this scenario (12)**

The two that would apply are Informational Purposes, administrative purpose and documentation purpose.

- **Strategic purpose**

Performance management can help top management to achieve its strategic business objectives by linking the organizational goals with individual goals. Through the performance management process, the behaviour of employees is reinforced to be consistent with the attainment of organizational goals, and the most important strategic initiatives are also communicated. Performance management also plays an important role in the on boarding process, where new

employees are oriented to understand the organization's culture and values and the behaviour and results that are valued and rewarded.

#### **To help top management achieve strategic goals**

- **Administrative purpose**

Furnish valid and useful information for making administrative decisions about employees. Such as salary adjustments, promotions, employee retention, identification of poor performers.

#### **To furnish valid and useful information for making administrative decision about employees**

- **Informational purpose**

PM systems serve as communication device. They inform employees about how they are doing and provide them with info on specific areas that may need improvement

#### **To inform employees about how they are doing and about the orgs and supervisors expectations**

- **Developmental purpose**

Managers can use feedback to coach employees and improve performance on an ongoing basis. Feedback allows for identification of strengths and weaknesses as well as the causes for performance deficiencies.

Another aspect of developmental purpose is that employees receive info about themselves that can help them individualize their career paths.

#### **To allow managers to provide coaching to their employees**

- **Organizational maintenance purpose**

To provide info to be used in workforce planning. It comprises of systems that allows orgs to anticipate and respond to needs emerging within and outside the organization, determine priorities, and to allocate human resources where they can do the most good.

#### **To provide info to be used in workplace planning and allocation of human resources**

- **Documentation purpose**

PM systems allow orgs to collect useful info that can be used for several documentation purposes. First data can be used to validate newly proposed selection instruments.

Second the recording of important administrative decision

#### **To collect useful information that can be used for various purposes**

4.3 **DO NOT STUDY** In many organisations it is the responsibility of only the line manager or supervisor to review employee performance. When this is the case, it may result in conflict (as is the case in this scenario). Explain to the management of Real Construction Company why the company should implement 360-degree performance feedback to minimise conflict (8)

Question 5

### **STUDY UNIT 4**

5.1 **Distinguish between the comparative and absolute systems for measuring employee behaviour and provide one example of EACH (6)**

Comparative systems base the measurement on comparing employees with each other. Absolute systems base the measurement on comparing employees with a prespecified performance standard

Comparative	Absolute
Simple rank order	Essays
Alternation rank order	Behaviour checklists
Paired comparisons	Critical incidents
Relative percentile	Graphic rating scales
Forced distribution	

Read the following scenario and answer questions 5.2 and 5.3

Michelle is a regional manager at a fast-food restaurant franchise in South Africa. Her job is to visit different restaurants in the group and rate their speed and quality of service, quality of food, cleanliness of restaurants and restrooms, properly displayed promotional materials and the financial results of the restaurants.

**5.2 Which approach would be the most suitable to measure the restaurants performance? Substantiate your answer (3)**

The best option would be the results approach approach as you can clearly see the results in the rate of speed and quality of service, cleanliness of the restaurant and if they followed the correct procedures.

**5.3 Discuss the circumstances under which this approach (the approach you identified in question 5.2) is the most appropriate and provide examples from the fast-food industry (16)**

Results approach

This approach emphasizes the outcomes and results produced by the employee. Bottom line approach. It does not consider the traits that an employee may possess.

The results approach is most appropriate under the following circumstances:

- ❖ Workers are skilled in the needed behaviour (e.g. appropriate when workers have the necessary knowledge and skills to do the work). Workers should know the menu and relevant information about each dish that is available.
- ❖ Behaviour and results are obviously related (e.g. certain results can be obtained only if worker engages in certain specific behaviors) such as a line-worker involving repetitive work. The speed and quality of service is directly relevant to how fast food is served, and the correctness of the food and beverages that are served.
- ❖ Results show consistent improvement over time (when results improve consistently over time it shows that workers are aware of behaviors needed to complete job). In the restaurant this means that the workers, such as the chef can become more efficient as he gains more practice and experience on how to prepare the food.
- ❖ There are many ways to do the job right (when there are different ways in which one can do the task required). In the fast food industry there are many ways to cook a steak as some customers will like it in different ways and with different options. Also the wait staff can have different greetings and approaches but all get excellent results.

Trait approach

Emphasis the individual performer and ignores the specific situation, behaviour and results. The problem with this is that traits are not under the control of individuals and the fact that an individual possess a certain trait does not mean that this trait will necessarily lead to desired results or behaviour. This approach is not fair on employees.

Example:

Trait approach can be fruitful: as part of its business strategy, an org may anticipate drastic structural changes that will lead to the reorganization of most functions and the resulting reallocation of employees. In such a circumstance, it may be useful to assess the traits possessed by the various individuals so that far and appropriate decisions are made regarding the allocation of resources across the newly created organization. In most organizations performance is not measured using the trait approach.

Behavioural approach

This approach emphasizes what an employee does on the job and does not consider employees traits or the outcomes resulting from their behaviour. This is a process-orientated approach that emphasizes how an employee does the job.

This approach is most appropriate when:

- ❖ The link between behaviour and results is not obvious
- ❖ Outcomes are attained in the distant future
- ❖ Poor results are due to causes beyond the performers control

Example: consider a situation involving two assembly-line workers, one of them working day shift and the other night shift. When the assembly line gets stuck due to technical problems, the employee working during the day receives immediate technical assistance, so the line is back in motion in less than five minutes. But the night shift employee has very little technical support and therefore, when the assembly line breaks down, it takes about 45 minutes for it to be up and running. If we measured results, we would conclude that the performance of the day-shift employee is far superior to that of the night-shift employee, but this would be incorrect. Both may be equally competent and do the job equally well. The results are uneven because they depend on the amount and quality of technical assistance they receive when the assembly line is stuck

Oct / Nov 2016

Read the following case study and answer the questions that follow:

Dealing with poor performaners at Tsebo Bookbinders:

Ntombi is a bookkeeper at Tsebo Bookbinders Inc. Its is lunch time and Ntombi is sitting in the cafeteria. She looks totally disheartenend. She just had her performance review interview in an open-plan office (office space shared by several people). Her supervisor indicated during the interview that there where numerous areas in which she did not reach her performance goals. As a result, the organisational goals also suffered. She does not understand this. She joined her section one year ago and assumed that her work was satisfactory, because her supervisor never complained. She completed all the tasks that were given to her.

She tells her friend Sean how annoyed she is because in the pressence of her peers her supervisor told her how useless she was. Sean, who is employed at another company, replies "I'm sure your supervisor didn't mean it. Maybe he should do things differently, especially the way to comments about your performance. I am glad that my supervisor does things differently in my organisation.

She gives us feedback every month and we have a formal review twice a year. This system helps me to stay on track and there are no nasty surprises during my performance reviews”. “You are so lucky Sean” replies Ntombi. “I am totally lost I don’t know what they expect of me, where to start or what to do to improve my performance. It feels as if nothing I do will make a difference”.

Just then Veronia joins Sean and Ntombi and asks them what they are talking about. They tell her they both had their performance interviews that morning and are discussing the feedback. Veronica lets out a sign of relief “Luckily my supervisor does not believe in such rubbish”. It’s a complete waste of time, merely a paper exercise. Nothing ever comes from performance appraisals – its just empty talk”

## CHAPTER 2

### 1.1 The feedback Ntombi received from her supervisor in the scenario is negative. Provide a reason why it is important to give performance feedback, even if its negative (1)

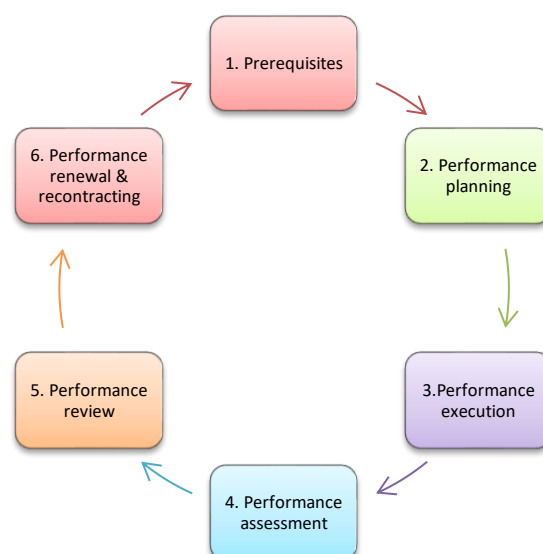
The approach followed by Dakar Trading cannot be regarded as performance management because performance management can be defined as the process through which managers ensure that employees’ activities and outputs are in line with the organisations goals. It is an ongoing process. It is a comprehensive, continuous and flexible approach to the management of organisations, teams and individuals, which involves the maximum amount of dialogue between those concerned.

The approach followed by Dakar Trading is performance appraisal which refers to a system that involves employee evaluation once a year without any effort to provide feedback and coaching so that performance can be improved.

## 2

The goal of providing negative feedback is to help employees improve their performance in the future. The consequences of not doing so can be detrimental to the organisation as a whole.

### 2.1 Identify the problems in the current performance management system at Tsebo Bookbinderes Inc and apply the sixstages of the performance management process in order to resolve them (24)



Prerequisite stage



- Knowledge of organization's mission and strategic goals
  - Link organization's strategic plans, unit strategic plans, job descriptions, individual & team performance
    - Mission – Statement of what the organization is all about
    - Vision – Statement of where the organization intends to be in the long run, e.g. 10 yrs.
    - Goals – Statement of what organization hopes to achieve in the medium – long range period (e.g. in next 3-5 yrs.)
    - Strategies – Description of game plans or the how-to procedure in its endeavor to fulfil the mission, vision and goals. Can address issues of growth, survival, turnaround, stability, innovation and leadership
- Knowledge of relevant job
  - Job analysis
    - Process of determining the key components of a particular job, incl. activities, tasks, products and processes
  - Job analysis to obtain information on the task to be carried out and required
    - Knowledge
    - Skill
    - Abilities
  - Obtain information through observation, interview and questionnaire
  - Result in:
    - Job description – summaries job duties, KSAs and working conditions of specific job
    - Job specification
  - Alignment with organizational & departmental goals with individual goals by knowledge of different jobs in organization.
  - Obtain knowledge of jobs by conducting job analysis & developing job descriptions
  - Employees can then see impact their contributions have on the success of the organization as a whole.

#### Performance planning

- Planning between manager and employee – knowledge of performance management system
  - What needs to be done? (Required results)
  - How? (Required behavior)
  - Development

#### 1.1. Results

- What needs to be done/ outcomes employee need to produce.
- Includes:
  - Key accountabilities – areas for which employee is responsible (job description)
  - Specific objectives employee needs to achieve
    - Desired level of performance
  - Performance standards
    - Minimum acceptable level of performance

## 1.2. Behavior

- How a job is done
- Important – employee may not have control over results, but can control own behavior
- Includes discussion of competencies (measurable clusters of KSAs)

## 1.3. Developmental Plan

- Identify areas which need improvement
  - Strengths and weaknesses
- Set goals to achieve each area to be improved – action plan
- Required components
  - Description of developmental objectives
  - Activities to be carried out to achieve objectives, incl resources/support required
  - Date of completion

### Performance execution

- Employees have primary responsibility & ownership
- Primary responsibilities of employees
  - Commitment to goal achievement
    - Involve employee when organizational goals are set
    - People tend to work hard if goals are clear
    - Employees should know how their contributions will lead to achievement of organizational goals – link job descriptions to organizational goals.
  - Ask for on-going performance feedback & coaching
  - Communication with manager
  - Collecting & sharing performance information
- Manager responsibilities
  - Observation & documentation – keep track of employee performance
  - Updates if goals change
  - Feedback on regular basis
  - Resources – ensure that employees are equipped with resources & opportunities to participate in development plan – supplies & funding
  - Reinforcement – outstanding performance is noticed by reinforcing effective behavior. Regular feedback on negative performance - remedy

### Performance assessment

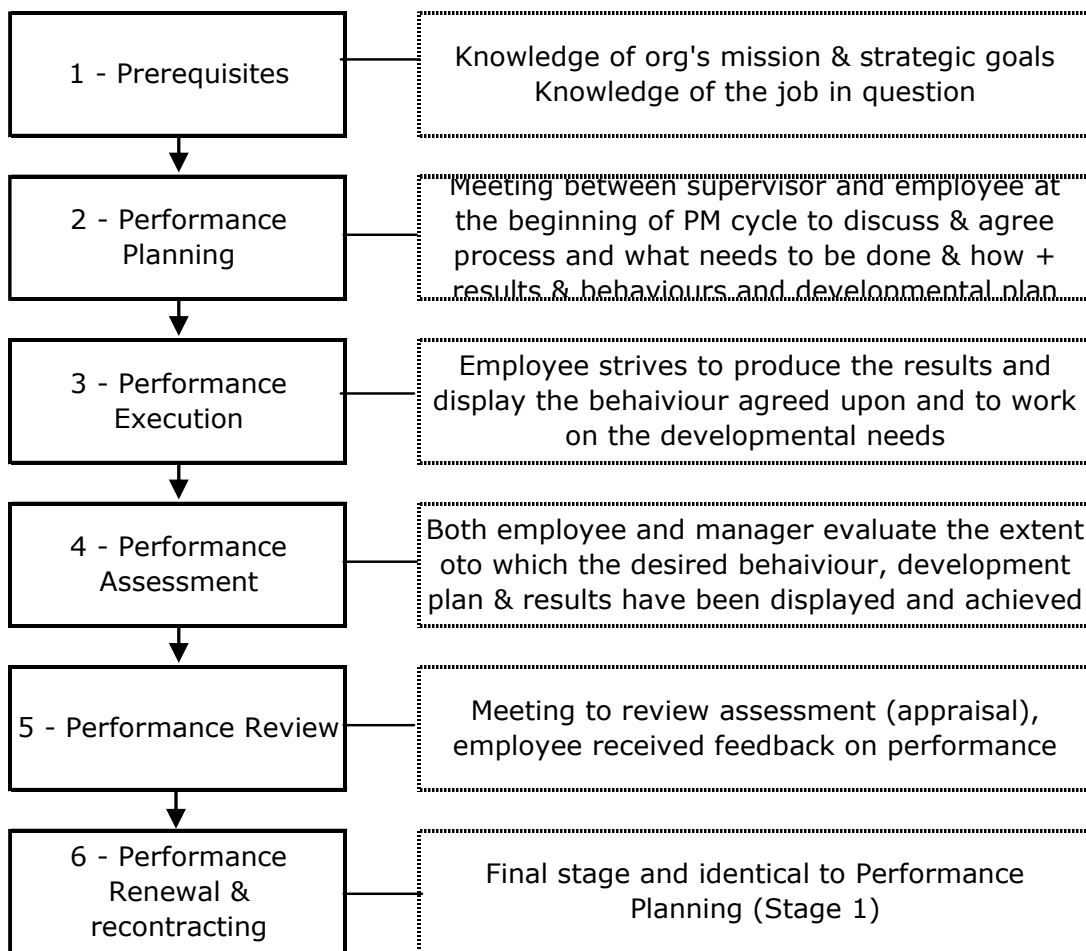
- Employee & manager responsible for evaluating extent desired behaviour & results achieved
- Evaluation of extent – developmental goals achieved

### Performance review

- Meeting between employee & manager to review their assessment of employee's performance – formal appraisal meeting (e.g. midyear review)
- Steps:
  - Identify what the employee did well and poorly – cite specific behavior
    - Encourage good behavior by recognition and praise
    - Address instances of poor performance
  - Ask feedback from employee about these types of behavior. Listen to reaction & explanations
  - Discuss implications of changing or not changing.
  - Explain to employee how skills used in past achievements can assist in overcoming current performance challenges
  - Agree on action plan
    - Employee encouraged to provide solutions that will lead to performance improvement.
  - Schedule follow-up meeting & agree on behavior, actions and attitudes to be evaluated.

#### Performance renewal and re-contracting

- Use insights & information obtained in previous stages to plan
  - Prerequisite
    - What goals were initially set? Were they clear?
    - How are individual job descriptions linked to goals? Can it be improved?
  - Performance planning
    - Review behavior, results and developmental plans. Can it be improved?
  - Performance execution
    - Review obstacles which prohibited employees from achieving targeted performance
  - Performance assessment
    - Depends on type of assessment received.
    - If on track – encourage to continue
    - If not – suggestions to improve
  - Performance review
    - Rewards or additional training



## Question 2

Read the following case study and answer the questions that follow:

### Measuring performance at Limited Incorporated

Limited Incorporated is a retailer based in Cape Town. It operates 2 000 retail stores and several retail brands, including Express, Bath and Body Works and Henri Bendel Limited. It aims to foster an entrepreneurial culture among its managers; therefore, managers who thrive in the company have a history of delivering impressive profits. In addition, Limited designed a new performance management system that is used by all Limited companies.

With the involvement of outside consultants and employees, Limited developed a performance management system whereby managers are measured on total sales, market share and the expenses/sales growth ratio that is used by all Limited companies.

With the involvement of outside consultants and employees, Limited developed a performance management system whereby managers are measured on total sales, market share and the expenses/sales growth ratio, as well as leadership competencies that are tailored to Limited.

A few of these competencies include developing a fashion sense, financial acumen and entrepreneurial drive. Overall, Limited has been pleased with the new system, because it aligns individual goals with the business strategy. Raters like the new system because the descriptive

anchors define the competencies and make rating easier. In addition to that employees appreciate the new focus on how outcomes are achieved, as opposed to focusing only on what is achieved.

**2.1 Which Two performance measurement approaches are used by Limited? Motivate your answer by quoting from the case study (5)**

They are using Results based approach – “managers are measured on total sales, market share and the expenses/sales growth ratio”

They are also using the traits based approach – “a few of these competencies including developing a fashion sense, financial acumen and entrepreneurial drive”

**2.2 Differentiate between the two approaches which you have identified in question 2.1 and provide the circumstances in which the application of each of these approaches would be the most appropriate (10)**

**question 5.2) is the most appropriate and provide examples from the fast-food industry (16)**

Results approach

This approach emphasizes the outcomes and results produced by the employee. Bottom line approach. It does not consider the traits that an employee may possess.

The results approach is most appropriate under the following circumstances:

- ❖ Workers are skilled in the needed behaviour (e.g. appropriate when workers have the necessary knowledge and skills to do the work). Workers should know the menu and relevant information about each dish that is available.
- ❖ Behaviour and results are obviously related (e.g. certain results can be obtained only if worker engages in certain specific behaviors) such as a line-worker involving repetitive work. The speed and quality of service is directly relevant to how fast food is served, and the correctness of the food and beverages that are served.
- ❖ Results show consistent improvement over time (when results improve consistently over time it shows that workers are aware of behaviors needed to complete job). In the restaurant this means that the workers, such as the chef can become more efficient as he gains more practise and experience on how to prepare the food.
- ❖ There are many ways to do the job right (when there are different ways in which one can do the task required). In the fast food industry there are many ways to cook a stake as some customers will like it in different ways and with different options. Also the wait staff can have different greetings and approaches but all get excellent results.

Trait approach

Emphasis the individual performer and ignores the specific situation, behaviour and results. The problem with this is that traits are not under the control of individuals and the fact that an individual possess a certain trait does not mean that this trait will necessarily lead to desired results or behaviour. This approach is not fair on employees.

Example:

Trait approach can be fruitful: as part of its business strategy, an org may anticipate drastic structural changes that will lead to the reorganization of most functions and the resulting reallocation of employees. In such a circumstance, it may be useful to assess the traits possessed by the various individuals so that far and appropriate decisions are made

regarding the allocation of resources across the newly created organization. In most organizations performance is not measured using the trait approach.

Behavioural approach

This approach emphasizes what an employee does on the job and does not consider employees traits or the outcomes resulting from their behaviour. This is a process-orientated approach that emphasizes how an employee does the job.

This approach is most appropriate when:

- ❖ The link between behaviour and results is not obvious
- ❖ Outcomes are attained in the distant future
- ❖ Poor results are due to causes beyond the performers control

Example: consider a situation involving two assembly-line workers, one of them working day shift and the other night shift. When the assembly line gets stuck due to technical problems, the employee working during the day receives immediate technical assistance, so the line is back in motion in less than five minutes. But the night shift employee has very little technical support and therefore, when the assembly line breaks down, it takes about 45 minutes for it to be up and running. If we measured results, we would conclude that the performance of the day-shift employee is far superior to that of the night-shift employee, but this would be incorrect. Both may be equally competent and do the job equally well. The results are uneven because they depend on the amount and quality of technical assistance they receive when the assembly line is stuck

2.3 **ELIMINATE CHAPTER 6** Regardless of who rates performance, the rater is likely to be biased, which distorts the performance ratings. Provide the management of Limited Incorporated with five reasons that prompt/encourage raters to inflate performance ratings (to deliberately give employees high ratings even though they deserve low ratings) (10)

Question 3

3.1 **SKIP ITS CHAPTER 3** Briefly explain the concept of strategic planning and its relationship with performance management (10)

3.2 **SKIP ITS CHAPTER 8** Discuss the process of 360-degree performance feedback and the advantages of applying it (15)

Question 4

Read the scenario and answer the questions that follow:

A visible line between outstanding and mediocre – rewards

You have been appointed as an HR generalist at the head office of a leading international hair salon called Black Rose Hairdoers. It is the biggest franchise in the hair business. According to their records the organisation has an extremely high staff turnover. You have noticed that its hairdressers resign to work for competitors. You have also heard from the remaining employees that they also plan to resign because Black Rose does not recognise their hard work. One of them commented “working hard at this salon is a waste of time. Everyone is paid the same remuneration. We get a once-off

increase at the beginning of each year, which is offered across the board. The salon does not recognise hard workers at all!”

#### PART OF CHAPTER 1

#### **4.1 Identify the two types of incentives/rewards offered to hairdressers at Black Rose Hairdoers. Motivate your answer (7)**

##### Base Pay

- Given in exchange for work performed
- Focus on position and duties performed rather than individuals contribution
- Cost-of-living Adjustment and contingent pay
- Same % increase for all employees regardless of individual performance
- COLA -To combat the effects of inflation and attempt to preserve employees buying power
- CP – Merit pay – given as addition to base pay based on past performance
- Depends on employee’s level of performance

#### **4.2 Write a report to the top management of Black Rose in which you advise them about the different types of rewards to be considered in order to reduce the staff turnover in this organisation (18)**

##### Short Term Incentives

- Also allocated based on past performance
- Motivate performance in short term
- Not added to base pay, only temporary pay adjustments based on review period
- One time investments –Variable pay
- Long Term Incentives
- Attempt to influence future performance
- Stock ownerships or option to buy stocks at profitable price
- Employees to become personally invested in success translates into high performance
- Income Protection
- Serve as backup to employees salaries in the event of sickness, disability
- Includes medical insurance, pension plans and saving plans
- Work/Life Focus
- Programmes to help employees achieve a better balance between work and nonwork act
- Includes time away from work, services to meet specific needs & flexible work schedules
- Allowances

- Housing and transportation allowance
- Relational Returns
- Intangible
- Recognition and status, employment security, challenging work, opportunity to learn, form personal relationships at work

#### Question 5

Lindi is a sales manager at a large pharmaceutical company. The fiscal year will end in one week. She is overwhelmed by the end-of-the-year tasks, including reviewing the budgets that are likely to be allocated to her in the following year, responding to customers phone calls, and supervising a group of 10 sales people. It is very hectic time, probably the most hectic time of the year. She receives a phone call from the human resources (HR) department: "Lindi, we have not yet received your performance appraisals for the your 10 employees, they are due by the end of the fiscal year". Lindi thinks "oh, those performance appraisals, what a waste of time"! From Lindi's point of view, completing those seemingly meaning forms has no value whatsoever. She does not see her subordinates in action because they are in the field, visiting customers most of the time. Their sales figures, which depend more on the products offered and geographic territory covered than on individual effort or the motivation of each salesperson, are the only tangible evidence of their performance. Besides, nothing has been forthcoming in terms of awards, regardless of her ratings. These are lean times in her organisation, and salary adjustments are based on seniority rather than on merit. She has less than three days in which to hand in her forms.

What will she do? She decides to follow the path of least resistance, which is giving her employees average ratings. In this way, Lindi believes the employees will be happy with their ratings and she will not have to deal with complaints or follow-up meetings. Lindi fills out the forms in less than 20 minutes and gets back to her "real job".

#### ALL CHAPTER 7 SO NEEDS TO BE STUDIED

#### 5.1 Which stage of the performance management process resembles what Lindi does in this scenario. Motivate your answer (4)

Lindi is at the performance assessment stage. This is the monitoring/evaluation stage, in which both Lindi and her employees are responsible for evaluating the extent to which the desired behaviors have been displayed & whether the desired results have been achieved. Since Lindi has failed to complete this stage she will not be able to determine whether the goals of the development plans are being achieved or not.

#### Stage 5 - Performance review

- Meeting between employee & manager to review their assessment of employee's performance – formal appraisal meeting (e.g. midyear review)
- Steps:
  - Identify what the employee did well and poorly – cite specific behavior
    - Encourage good behavior by recognition and praise
    - Address instances of poor performance



- o Ask feedback from employee about these types of behavior. Listen to reaction & explanations
- o Discuss implications of changing or not changing.
- o Explain to employee how skills used in past achievements can assist in overcoming current performance challenges
- o Agree on action plan
  - Employee encouraged to provide solutions that will lead to performance improvement.
- o Schedule follow-up meeting & agree on behavior, actions and attitudes to be evaluated.

## 5.2 Praise or criticize Lindi's actions in handling this stage (7)

Lindi did not do the correct things in this stage. There needs to be an formal meeting to discuss their performance which did not take place.

Lindi also did not identify what each employee did well and poorly and did not provide specific feedback either by addressing good or poor performance. She also did not listen to any feedback from employees, explain how skills used in past achievements can be used to overcome current performance challenges and they did not agree on an action plan going forward.

Lindi should also have ensured there was follow up meetings to agree on action plans and behaviour going forward.

## 5.3 Identify the rater error that Lindi makes in this case study. Motivate your answer (4)

Lindi gave her employees average ratings, this refers to the central tendency error. The central tendency error occurs when employees are incorrectly rated near the average or middle of a scale while the extremes are avoided. The result is that most or all employees are rated as "average". This is also an intentional type of error and is mainly caused by the supervisor's desire to play it safe.

Common rating errors found in many performance appraisals:

- **Rater bias**  
This error occurs when a rater's values or prejudices distort the rating. These biases are not related to job performance and may stem from personal characteristics such as age, sex, disability or race, or from organization-related characteristics like seniority or team membership.
- **Stereotyping**  
  
Stereotyping occurs when the appraiser has an oversimplified view of individuals based on group membership, making judgments about a group of people, instead of openly identifying the features of the individual.
- **Halo effect**  
The halo effect occurs when the rater fails to distinguish between different aspects of performance being rated, rating an employee high on all items because of good

performance in one area. A negative halo also occurs, when the supervisor allows one negative behavior of an employee to cloud the objectivity regarding ratings on the employee's behaviours.

- **Central tendency**

This error occurs when employees are incorrectly rated near the average or middle of scale while the extremes are avoided. The result is that most of the employees are rated as average. This is also an intentional type of error and is mainly caused by the supervisors desire to play it safe.

- **Leniency**

Raters assign undeserved high (lenient) evaluations to most of the employees. In practice this comes down to artificial rating inflation.

- **Strictness**

When supervisor assigns low ratings to most or all employees though some employees may have achieved average or above-average performance levels.

- **Recency effect**

When a performance appraisal is based mainly on the employee's recent performance (info gathered towards end of review period)

- **Primacy effect**

The primacy effect occurs when performance appraisal is influenced mainly by performance displayed during the initial phases (beginning) of review period.

#### **5.4 The ten sales people under Lindi's supervision consult you for advice regarding the appeal process. Take them through this process and discuss how they can benefit from it (10)**

The appeals process is important in gaining employee acceptance for the PMS system as it allows employees to understand that if there is a disagreement regarding ratings or decision they can be resolved in an amicable and nonretaliatory way. It also increases the perception of the employee that the system is fair.

1. When an appeal is first filed the HR department serves as a mediator between employee and supervisor. This is normally called a Level 1 or Level A appeal
2. The HR department gathers the necessary facts and brings them to the attention of either the rater to encourage reconsideration of the decision or the complainant to explain why there have been no biases or violations
3. The HR department therefore suggests corrective action to the supervisor or informs the employee that the decision or procedures were correct.
4. If the supervisor does not believe correction action should be taken or if the employee does not accept the HR decision then the appeal continues and an outside and unbiased arbitrator makes a final and binding resolution called a Level 2 or Level B appeal
5. The arbitrator can consist of a panel of peers and managers. They review the case, ask questions, interview witnesses, research precedents, and review policy.

6. Then they take a vote to make the decision. In some cases the vote represents the final decision, in others the vote is forwarded to a high-level manager who takes the panels vote into consideration in making the final decision.