

Eastern University, Sri Lanka
Faculty of Commerce & Management
Third Year Second Semester Examination in BBA (Specialization in HRM)
2012/13 (July/August 2015)
(Proper/Repeat)
HRM 3043 Performance Evaluation and Compensation Management

Answer all Questions

177 SEP 2015
Time: Three Hours

Q1. Read the case study and answer the questions given below.

Financial Service Company – Incentive System

A financial services company, based in Sri Lanka, was involved in the marketing of various financial products like investment and Insurance products. It was also involved in stock – broking activities having around 5,000 employees in its 245 branches all over the country. The company had attained the leadership position in all activities undertaken by it. Even though it was a sunrise industry, the nature of industry was such that it was more influenced by the market sentiment.

The company was also a competitive pay master in the industry. The Company had consciously taken care of the salary levels of various business divisions in the company as per the prevailing practices in vogue. The compensation could be classified into fixed and variable components. The fixed component had elements such as basic pay, transport and medical allowances. Further, the company also rewarded its employees based on their performance, which could be termed as variable pay. The variable pay ranged from 80% to 100% based on the performance and also the level at which the employee was placed.

In spite of the fact that the company was paying market driven salaries to its employees along with performance rewards, the employees did not appear to be motivated to the expected levels. The reasons that came to the knowledge of top management were as follows.

Since several multinational companies (MNC) also have been operating in the financial services business, the expectations of the employees of this company appeared to be quite high. Even though the MNC through the employees out when the market is in downtrend, the employees show much inclination toward the MNC as the salary appears to be quite high. Sri Lankan companies do not resort to such practices with a view to provide job security to the employees.

Today the employees in this sector have sufficient opportunities in local companies and other multinational investment banking companies. The top management struggled hard to maintain its work force despite the market odds. One of the major observations brought was the productivity level had not gone up in proportion to the increase in salaries. Since many such similar enterprises had been entering the market, the demand was on a constant rise for skilled/experienced personnel, the competitor was found offering over 50 – 100 % increase in the salary for the individuals and poaching them from the established organizations. This made the attrition rate high in the entire industry.

In order to improve the productivity and to retain the talented employees, the HR Manager after a lot of deliberations with his senior management team came up with an individual incentive plan. The company set targets for every individual to attain. The individual would be eligible for incentive if he fulfills targets over and above a particular level. The targets would be reviewed on a quarterly basis keeping in view the market conditions and various government regulations from time to time. The Company made payment to the employees for their targets achieved for the quarter in the sixth month. Further, there were a lot of weightages the individual had to fulfill to qualify for the incentive. For instance, in the case of stock broking activity the investment products, the employee had to reach a given level of performance to qualify for the incentive. The management had communicated this to the departmental heads to in turn communicate the same to the team members to wide publicity. After one year, the management was shocked to notice that the productivity did not go up in spite of the well – publicized incentive scheme. On the other hand, many talented employees left the organization. This, in turn, plunged the organizations into low productivity.

Questions

- I. Identify the issues related to productivity and attrition of talented people in this case study. (05 Marks)

- II. What are the reasons for low productivity and high attrition of talented people? (07 Marks)

III. Why did the productivity not go up in spite of the fact that the incentive scheme was well deliberated among the senior Management team?

(08 Marks)

IV. Suppose you are the head of the HR Division, what would be your suggestions in the meeting to solve the above issues?

(08 Marks)

(Total 28 Marks)

Q2. a) *“Performance Management is more tightly integrated with their corporate and business level strategies and plans and with other human resource systems”.*

Define the strategic planning and explain how strategic plan would be aligned with the performance of employees at organizational level?

(05 marks)

b) *“Incentives promises should be full filled by both employer and employee, different reward programme should be applied for the different levels of employees and compensation structure should match economic situation”.*

Describe the reasons for success and failure of incentive system in an organization.

(06 marks)

c) *“Performance Appraisal Methods are a techniques that can be used in evaluating job performance of employees”.*

Illustrate with examples the most suitable methods of performance appraisal for the

- I. School teachers
- II. College teacher
- III. Bank Teller
- IV. Project manager in a software company

(07 Marks)

(Total 18 Marks)

Q3. a) *"The development of an effective incentive and compensation program is rooted in a company's vision for the future and the role of key employees will play in those expectations".*
Briefly explain the role of compensation management in an organization.

(05Marks)

b) *"The strategic perspective involves thinking about how pay can assist in achieving organization success, while not being fixated on pay techniques".*

Discuss the key steps to formulate a compensation strategy in an organization.

(06 Marks)

c) *Explain the differences between the following pairs of concepts*

I. Internal Equity and External Equity

II. Pay Level and Pay Mix

III. Access Pay Discrimination and Valuation Pay Discrimination

(07 Marks)

(Total 18 Marks)

Q4. a) *"Job performance represents the contribution that individuals make to the organization that employs them".*

Briefly explain the elements of job performance of the employees in an organization.

(05 Marks)

b) *"A 360 degree performance review is a formalized process whereby an individual receives feedback from multiple individuals or "raters" who regularly interact with the person being reviewed, commonly referred to as "the learner".*

How do 360 degree performance reviews affect employee attitudes, effectiveness and performance?

(06 Marks)

c) *"Compensation must fulfill the intrinsic and extrinsic needs of the employees".* Discuss this statement with suitable examples.

(07Marks)

(Total 18 Marks)

Q5. a) *“Performance management is a process through which managers ensure that employees’ activities and outputs contribute to the organization’s goals”.*

Define major five criteria for measuring the effectiveness of a performance management system and briefly discuss the major methods for measuring performance of the employees.

(05 Marks)

b) *“Performance Appraisal System that gather data for decisions about remuneration, training, promotion and career development of the employees”.*

Briefly describe the internal and external factors affecting Employee Performance Appraisal System in a work environment.

(06 Marks)

c) *“ Employee Value Proposition (EVP) specifies what employees will get from the organization When they meet organization’s expectations”.* Develop an EVP for a selected organization of your choice.

(07 Marks)

(Total 18 Marks)