

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT
THIRD YEAR-SECOND SEMESTER EXAMINATION IN
(SPECIALIZATION IN HUMAN RESOURCE MANAGEMENT)
- 2007/2008 (MARCH/APRIL 2009) PROPER



HRM 3223 PERFORMANCE EVALUATION AND COMPENSATION MANAGEMENT

Answer all questions

Time: 3 hours

01. CASE STUDY: Sakatoon Power

A large electric power plant in Sakatoon, Sakatchewan, has been having difficulty with its performance evaluation programme. The organization has an evaluation programme by which all operating employees and clerical employees are evaluated semiannually by their supervisors. The form that they have been using is given below.

PERFORMANCE EVALUATION FORM OF SAKTOON POWER

Performance Evaluation

Supervisor: When you are asked to do so by the human resource department, please complete this form for each of your employees. The supervisor who is responsible for 75 percent or more of an employee's work should complete this form for him or her. Please evaluate each facet of the employee separately.

Score

Quantity of work	Excellent	Above average	Average	Below average	Poor	
Quality of work	Poor	Below average	Average	Above average	Excellent	
Dependability at work	Excellent	Above average	Average	Below average	Poor	
Initiative at work	Poor	Below average	Average	Above average	Excellent	
Cooperativeness	Excellent	Above average	Average	Below average	Poor	
Getting along with co-workers	Poor	Below average	Average	Above average	Excellent	
					Total	-----

Supervisor's signature-----Employee name-----Employee number-----

It has been in use for ten years. The form is scored as follows: Excellent=5, above average= 4, Average =3, below average =2 and Poor=1. The scores for each question are entered in the right-hand column and are totaled for an overall evaluation score.

The procedure used has been as followed: each supervisor rates each employee on July 30th and January 30th. The supervisor discusses the ratings with the employee. The supervisor sends the ratings to the human resource department. Each rating is placed in the employee's file. If promotion comes up, the cumulative ratings are considered at that time. The ratings are also supposed to be used as a check when raises are given.

The system was designed by human resource manager who retired two years ago, Joanna Kyle. Her replacement was Eugene Meyer. Mayer is a graduate in commerce from the University of Alberta at Edmonoton. He graduated fifteen years ago. Since then, he's had a variety of experience, mostly in utilities like the power company. For about five of these years he did human resource work.

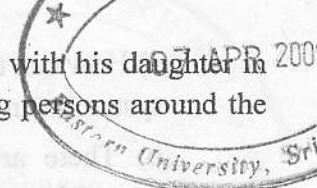
Meyer has been reviewing the evaluation system. Employees have a mixture of indifferent and negative feelings about it. An informal survey has shown that about 60 percent of the supervisors fill the form out, give about three minutes to each form, and send them to human resource without discussing them with the employees. Another 30 percent do a little better. They spend more time completing the forms, but discuss them only briefly and superficially with their employees. Only about 10 percent of the supervisors seriously try to do what was intended.

Meyer found out that the forms were rarely retrieved for promotion or pay-rise analysis. Because of this, most supervisors may have felt the evaluation programme was a useless ritual. In his previous employment, Meyer saw that performance evaluation was viewed as a much more useful experience, which included giving positive feedback to employees, improving future employee performance, developing employee capabilities, and providing data for promotion and compensation.

Meyer has not had much experience with design of performance evaluation system. He feels he should seek advice on the topic. Maurice Botswick, a consultant specializing in human resource administration, has come to sakatoon from his office in Calgary to examine the power plant's evaluation system. It is expected that he will propose an alternative system to Eugene Meyer for approval by his superiors. Normally, Ross Flamholtz, the top manager of the power plant, goes along with Meyer's suggestions.

Flamholtz is 59 years old, an engineer by training. His interest has always been in direct operations of the plant. He has shown little interest in the people or money side of the utility. He pays more attention to equipment maintenance and replacement and the purchase of materials used to produce the electricity. Flamholtz is a conservative person, always addressing everyone as Mr. or Mrs. Or Miss. He is quite, retiring, and an introvert. In his period of top management (the last two years), he has introduce no major changes in policy. His health is not good, and he

has made it known that he would like to retire in three years and go to live with his daughter in Victoria, British Columbia. After examining Meyer's data and interviewing persons around the plant, Botswike is sitting in Meyer's office. Botswick says:



"Gene, before I go any further, I thought I might bounce my present thinking off you. Your programme lacks of employee involvement. It involves one way communication- supervisor to subordinate- or no communication at all.

"Many of your supervisors have many persons to supervise. Typically, they have fifteen to twenty to oversee. They can't possibly observe this many people and evaluate them well. What would you think of this three-pronged improvement programme?

" First, improve your supervisory rating programme by getting a better form, training the supervisors in the importance of its use and how to use it, and increasing the number of reviews from two to four annually."

"Second, institute a peer evaluation system to give the supervisors more data. That is, the people in each section rate each other (except for themselves) on a 1-15 scale, best to worst. There is evidence that this is a good addition to the supervisor's information."

"Third, introduce a 'rate your supervisor' programme. When the supervisor rates the employee, they rate him or her. This gets dialogue going and improves performance of both employees and supervisors."

Questions

- a. Summarize your evaluation of the strengths and weaknesses of the present evaluation system. (Marks 05)
- b. Imagine you are Meyer. Evaluate these suggestions for your power plant and decide how to proceed before giving Botswick the go ahead. (Marks 08)
- c. How do you perceive Flamholtz will react to these suggestions? (Marks 05)
- d. If you were Meyer, how would you convince Flamholtz to implement some or all of these suggestions? Explain (Marks 10)

(Total Marks 28)

- 2 a) How can the 360-degree appraisal process improve the performance management system in an organization? (Marks 04)
- b) There are some employees who are reluctant to actively participate in the PE interview. Discuss on it. (Marks 06)
- c) How does Performance Evaluation help to HR activities in an organization? (Marks 08)
- 3 a) Describe the term Legally Defendable Performance Evaluation System. (Marks 04)
- b) Before discussing performance, assessing the potential constraints on performance is important. Do you agree with this statement? Elaborate your answer. (Marks 05)
- c) Choose an organization and analyze the application of performance evaluation system in that organization. (Marks 09)
- 4 a) There are some challenges in pay for performance system, as performance evaluators how will you meet these challenges in order to make it as an appropriate one? (Marks 04)
- b) Main objective of compensation management includes internal equity and external equity. Which is most important for an organization support your answer with suitable example? (Marks 06)
- c) Differentiate the following terms
- i. Salary and wages;
 - ii. Pay level and pay structure;
 - iii. Internal equity, external equity and individual equity;
 - iv. white collar employees and Blue collar employees;
- (Marks 08)
- 5 a) Explain the Role of Money in compensation management. (Marks 04)
- b) Illustrate the components of an effective compensation system by using a diagram. (Marks 06)
- c) What do you understand by the term of wage differential? And analyze the causes for existence of it? (Marks 08)