



## SET A

University of Petroleum & Energy Studies  
College of Management & Economics Studies  
Kandoli campus, Dehradun

End Semester Examination – May 2018

Programme Name: MBA – Core  
Subject: Performance Management  
Subject code: HRES 7009

Semester II  
M.Marks: 100  
Duration: 3 Hrs.

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**Note: All sections are compulsory.**

### Section – A (20 Marks)

1. Ability is the physical, emotional, intellectual, and psychological aptitude to perform the work. T/F
2. Knowledge is having the information to do the job and having experience at the job. T/F
3. A performance management system is the systematic description of an employee's strengths and weaknesses T/F
4. The two main steps in the prerequisites phase of performance management are:
  - A. Understanding the organization's mission and conducting job analysis
  - B. Developing the organization's mission and conducting job analysis
  - C. Conducting job analysis and writing a development plan
  - D. Understanding the organization's mission and writing a development plan
5. The \_\_\_\_\_ purpose of PM systems is to furnish valid and useful information for making employment decisions including salary adjustments, promotions, and terminations.
  - A. strategic
  - B. informational
  - C. administrative
  - D. developmental
6. The correct order of the phases of a performance management process is:
  - A. Performance planning, prerequisites, performance execution, performance assessment, performance review, performance renewal and recontracting
  - B. Prerequisites, performance planning, performance execution, performance assessment, performance review, performance renewal and recontracting

- C. Performance planning, prerequisites, performance execution, performance review, performance assessment, performance renewal and recontracting
- D. Prerequisites, performance execution, performance planning, performance assessment, performance review, performance renewal and recontracting
7. In the performance planning stage, the term “results” refers to what?
- Customer reactions
  - Ratings that result from performance
  - Customer complaints resulting from performance
  - Outcomes an employee must produce
8. Pay added to base pay that depends upon an employee’s performance is called:
- An allowance
  - Contingent pay
  - Relational return
  - A benefit
9. Which of the following is NOT one of the recommended guidelines for setting effective employee goals?
- Assigning specific goals
  - Assigning measurable goals
  - Assigning challenging but doable goals
  - Administering consequences for failure to meet goals
10. Which of the following is not the concern of Performance Management?
- Concern with outputs, outcomes, process and inputs
  - Concern with planning
  - Concern with measurement and review
  - Concern with maintaining secrecy

**Section – B (20 Marks)**

**Attempt any four**

**5 marks each**

**Write Short notes**

- Performance planning and agreements
- Forced ranking
- Contingent pay
- Performance coaching
- Performance cycle
- HR score card

**Section – C (30 Marks)**

**Attempt any two**

**15 marks each**

- Performance management is an ongoing process including the interrelated components of prerequisites, performance planning, performance execution, performance assessment, performance review, and performance renewal and recontracting. Explain how the poor implementation of a phase in the process or how a disrupted link between any of the phases will have a negative impact on the performance management process as a whole.

2. The employee and the supervisor both have important roles during the performance execution phase. Please list and explain each party's responsibilities in this phase of the performance management process.
3. How organizational structure and operational processes influence the performance management system?

### **Section – D (30 Marks)**

#### **Performance Management at Network Solutions, Inc.**

Network Solutions, Inc. is a worldwide leader in hardware, software and services essential to computer networking. Until recently, Network Solutions, Inc. had over 50 different systems to measure performance within the company, many employees did not receive a review, fewer than 5 per cent of all employees received the lowest category of rating, and there was not a recognition programme in place to reward high achievers. Overall, there was recognition that performance problems were not being addressed, and tough pressure from competitors increased the costs of not managing human performance effectively. In addition, quality initiatives (Six Sigma) were driving change in several areas of the business, and Network Solutions decided that these initiatives should also apply to 'people quality'. Finally, Network Solutions wanted to improve its ability to meet its organizational goals, and one way of doing this would be to ensure they were linked to each employee's goals.

Given the situation described above, in 2001 Network Solutions' CEO announced he wanted to implement a forced distribution performance management system in which a set percentage of employees are classified in each of several categories (e.g., rating of 1 to the top 20 per cent performers, rating of 2 to the middle 70 per cent performers, and rating of 3 to the bottom 10 per cent performers). A global cross-divisional HR team was put in place to design and implement the new system. The first task for the design team was to build a business case of the new system by showing that, if organizational strategy was carried down to team contributions and team contributions were translated into individual goals, then business goals would be met. Initially the programme was rolled out as a 'year round people management system that raises the bar on performance management at Network Solutions by aligning individual performance objectives with organizational goals by focusing on development of all employees'. The desired outcomes of the new system included raising the performance level of all employees, identifying and retaining top talent, and identifying low performers and improving their performance. Network Solutions also wanted the performance expectations for all employees to be clear.

Before rolling out the programme, the design team received the support of senior leadership. They did this by communicating that the performance management system is the future of Network Solutions, and by encouraging all senior leaders to ensure that their direct reports understood the process and also bought into it. In addition, they encouraged senior leaders actually to use the system with all of their direct reports, and to demand and utilize output from the new system. Next, the design team encouraged the senior leaders to stop the development and use of any other performance management systems, and pushed for standardization of performance management across all divisions. Finally, they had senior leaders call attention to the new programme by involving employees in training about talent management and assessing any needs in their divisions that the new system would not address.

The Network Solutions global performance management cycle consists of the following process:

1. Goal cascading and team building

2. Performance planning
3. Development planning
4. Ongoing discussions and updates between managers and employees
5. Annual performance summary

There are training resources available on Network Solutions' intranet for managers and individual contributors, including access to all necessary forms. In addition to the training available on the intranet, 1–2 hour conference calls took place before each phase of the programme was rolled out. Part of the training associated with the performance management system revolves around the idea that the development-planning phase of the system is the joint year-round responsibility of managers and employees. Managers are responsible for scheduling meetings, guiding employees on preparing for meetings, and finalizing all development plans. Individual contributors are responsible for documenting the developmental plans. Both managers and employees are responsible for preparing for the meeting, filling out the development planning preparation forms, and attending the meeting. With forced distribution systems, a set number of employees must fall into set rating classifications. As noted above, in the Network Solutions system employees are given a rating of a 1 (given to the top 20 per cent of employees in the performance distribution), 2 (given to the middle 70 per cent of employees in the performance distribution), or 3 (given to the bottom 10 per cent of employees in the performance distribution). Individual ratings are determined by the execution of annual objectives and job requirements as well as a comparison rating of others at a similar level at Network Solutions. Employees receiving a 3, the lowest rating, have a specified time period to improve their performance. If their performance does improve then they are released from the plan, but they are not eligible for stock options or salary increases. If performance does not improve, they can take a severance package and leave the company, or they can start on a performance improvement plan that has more rigorous expectations and timelines than the original action plan. If performance does not improve after the second period, their employment is terminated without a severance package. Individuals with a rating of 2 receive average to high salary increases, stock options and bonuses. Individuals receiving the highest rating, 1, receive the highest salary increases, stock options and bonuses. These individuals are also treated as 'high potential' employees and given extra development opportunities by their managers. The company also makes significant efforts to retain all individuals receiving this rating.

Going forward, there is a plan to continue reinforcing the needed cultural change to support forced distribution ratings. HR centres of expertise continue to educate employees on the system to ensure that they understand that Network Solutions still rewards good performance; they are just measuring it differently. There is also a plan to monitor for and correct any unproductive practices and implement correcting policies and practices. To do this they plan on continued checks with all stakeholders to ensure that the performance management system is serving its intended purpose.

Consider Network Solutions' performance management system in light of what we discussed as an ideal system. Then, answer the following questions:

1. Overall, what is the overlap between Network Solutions' system and an ideal system?
2. What are the features of the system implemented at Network Solutions that correspond to ideal performance management system? Which of the ideal characteristics are missing?
3. For which of the ideal characteristics do we need additional information to evaluate whether they are part of the system at Network Solutions?



**SET B**

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**Section – A (20 Marks)**

1. A performance management system is the systematic description of an employee's strengths and weaknesses. **T/F**
2. Linking each individual's performance to the organization's mission involves explaining to each employee how the employee's activities are helping the organization gain a competitive advantage. **T/F**
3. Feedback often decreases motivation to perform because it points out what an employee does wrong. **T/F**
4. Dangers of a poorly implemented performance management system include wasted time and money, lack of standardized employee ratings, and confusion on how ratings are obtained. **T/F**
5. Intangible returns include benefits and work/life programs. **T/F**
6. Exempt employees are often employees in managerial or professional roles on salaries, and are not eligible for overtime pay. **T/F**
7. Short-term incentives are one-time payments typically given quarterly or annually. **T/F**
8. The strategic purpose of PM systems involves constructing the strategic vision for the organization. **T/F**
9. A reliable performance management system includes all relevant performance facets and does not include irrelevant performance facets. **T/F**
10. Distributive justice is the perception that the performance evaluation received is fair relative to the work performed. **T/F**

## **Section – B (20 Marks)**

**Attempt any four**

**5 marks each**

**Write Short notes**

- A. Absolute system of measuring Performance
- B. Major components of Appraisal forms
- C. Group incentives
- D. Communication plan for implementing PMS
- E. Supervisor's role in employee development
- F. Critical elements of BSC

## **Section – C (30 Marks)**

**Attempt any two**

**15 marks each**

1. Explain the process of strategic management. What is the relevance of strategic management for performance management?
2. You want to transition your organization's performance appraisal system into a performance management system. Write a one-page memo to your supervisor describing the advantages of having a well-designed, properly implemented performance management system
3. Organizations can reward employees in several ways. Please list and describe five possible rewards that employees can receive and explain when an organization should use each reward.

## **Section – D (30 Marks)**

### **Performance Appraisal Implementation Problems at Refresh Drinks**

#### **Background**

Refresh Drinks is a manufacturer of its own-brand soft drinks which are sold in grocery stores and supermarkets across the UK, and the company also provides private-label products to the major supermarket chains. It is part of a larger parent organisation, which manufactures a wide range of products across the entire fast-moving consumer goods (FMCG) spectrum. Its main manufacturing base (which is also its head office) is located in the North West of England. At its main location, the company employs around 1,200 staff of whom 1,000 are factory-based production operatives, with a further 200 based in the head office, undertaking support activities including finance, marketing, sales, product development, human resources and logistics.

Trade Union membership within the factory is high (almost 100%) although only 25% of the head office employees are in a Trade Union. Two different Trade Unions represent the two separate groups of employees. The Employee Relations climate is generally good, although factory-based employees have traditionally been resistant to change, and are often slow to adopt new working practices.

#### **The New HR Director**

The company recently appointed a new HR Director following the retirement of his predecessor who had been in post for approximately 20 years. The newly appointed HR

Director did not come from a traditional HR background, but rather from production management in one of Refresh's sister companies. Staff generally believed that he had been appointed with a brief to generally "shake things up a bit."

### **“Just something that we can use immediately”**

Upon appointment, one of the first activities of the new HRD was to task the Head Office HR Manager with the responsibility of introducing an appraisal system for all employees in the Head Office. His brief - or rather his instruction - to the HR Manager was to establish contact with the HR Director in one of Refresh's sister companies and simply lift their existing appraisal process and introduce it within Refresh's Head Office. "We don't want anything fancy or best practice; just something that we can use immediately with the minimum of cost and fuss" was his stated recommendation.

The HR Manager followed his boss's instructions and obtained copies of the relevant paperwork which was rather more complicated than he had expected, particularly as the appraisal system in the sister company not only contained annual assessment against the year's objectives, but also an evaluation of each employee's performance in key competency areas which seemed appropriate within the sister company, but somewhat alien to Refresh Drinks.

Refresh's sister division had not only trained its managers, but had also produced a comprehensive "How To Undertake An Employee Appraisal" guide. The HR Director therefore decided to save valuable time and money, and circulated copies of the training material in November to all appraising managers, along with copies of the relevant paperwork, with the instruction that all employees were to have received an appraisal by the end of December, by which date all documentation was to have been returned to the HR department. "These guys are experienced managers," said the HR Director, "so they shouldn't need any training in how to conduct an appraisal, should they?"

### **The problems begin**

The first murmurings of dissent started almost immediately when some of the Head Office managers raised questions over who they were supposed to be appraising. Certain departments had a shared resource pool of secretaries and administrative staff, and it had never been made clear who reported to whom, so there was confusion over who exactly was the appraising manager for some employees. In a few departments, it was evident that managers and supervisors were using the lack of clarity as a way to evade responsibility for undertaking appraisals.

It wasn't too long after this that managers raised their concern over the terminology in the key competencies section of the appraisal documentation, particularly one area that required them to assess the "Innovation and Creativity" of their subordinates. One manager commented, "I pay my staff to come to work and make sure that the books balance at the end of the month. Whether or not they are innovative or creative has got nothing to do with the job."

Issues took a further negative turn when representatives from both Trade Union groups (i.e. both the Head Office Trade Union and the one representing factory-based staff) requested to see the HR Manager. The TU official representing the factory staff made his view perfectly clear by stating, "You might think that you can force something like this on the guys in the Head Office, but there's no way that my members in the factory will agree to have such a shoddy process imposed on them. I'll be instructing them to refuse to co-operate if you introduce something like this without consulting with the shop stewards."

The HR Manager raised his concerns with his boss the HR Director, who suggested that they let events take their course, as he was certain that at least in the Head Office the majority of managers would comply with the requirement to have all appraisals completed by the end of the year.

### **The New Year**

The HR Manager left it until after the Christmas and New Year break before he counted the returned appraisal paperwork. Less than 45% had been returned. Early in the New Year the HR Director and HR Manager sat down to review events. "Where did we go wrong and how could we have managed better?" was his question.

**How do you believe, the HR manager should have responded.**