

HUMAN RESOURCE MANAGEMENT

*“ Measurements are the key.
If you cannot **measure** it, you cannot control it.
If you cannot **control** it, you cannot manage it.
If you cannot **manage** it, you cannot **improve** it.”*

J. Harrington

Out of all the assets owned by a company, the intellectual capital is the most complex and unpredictable one

- ! Organizations cannot afford to support people who are not obviously contributing to the strategic goals of the enterprise.*
- therefore they act in the spirit of **recruiting** the persons whose abilities and skills satisfy the best their needs,*
- they apply the **best policies of motivation** for stimulating the employees to achieve outstanding results and*
- they take the opportunity to **measure the performance** achieved in comparison with the standards expected.*

*If there is any error in the performance management process,
how high is the price a company can afford to pay for
promoting the wrong person or for terminating a potential
gold medal employee?*

We have to get it right!

An effective tool of assessing competence:

- *must have a clear definition*
- *must have well-defined levels of performance at each point along a rating scale*

Performance management system

1. identify

2. analyze

3. measure

4. evaluate

5. improve/ encourage

6. reward **PERFORMANCE**

! Administrative vs development approach

- administrative approach → *granting a salary raise*
promotion
downsizing
termination
- development approach → *data about the strengths*
capabilities
weaknesses
improvement areas

Stages in performing an appraisal

! Defining the reason for evaluation & setting objectives

why?

what?

! Nominate the person who will do the evaluation

who?

- Employees' rating by the supervisor
- Manager's rating by the employees - upward feedback
- Peer Rating
- Self Rating
- Outside raters
- Multisource rating (360° appraisal)

! Perform the evaluation + Follow-up

An appraisal should be

- **POSITIVE NOT NEGATIVE**

- ...you obtained only 80 points out of 100, which is not the best score...
- ...you did well in ...and out of 100 points you have obtained 80....

- **FUTURE ORIENTED NOT PAST ORIENTED**

- ...why didn't you do more for achieving a better score?
- ...we could work together in order to find a way for improving it...

- **CONSTRUCTIVE NOT DESTRUCTIVE**

- ...I think that you are a little bit lazy, you can do more, I am sure...
- ...maybe we have to change something in your schedule or to analyze your general approach...

During the appraisal... feedback!

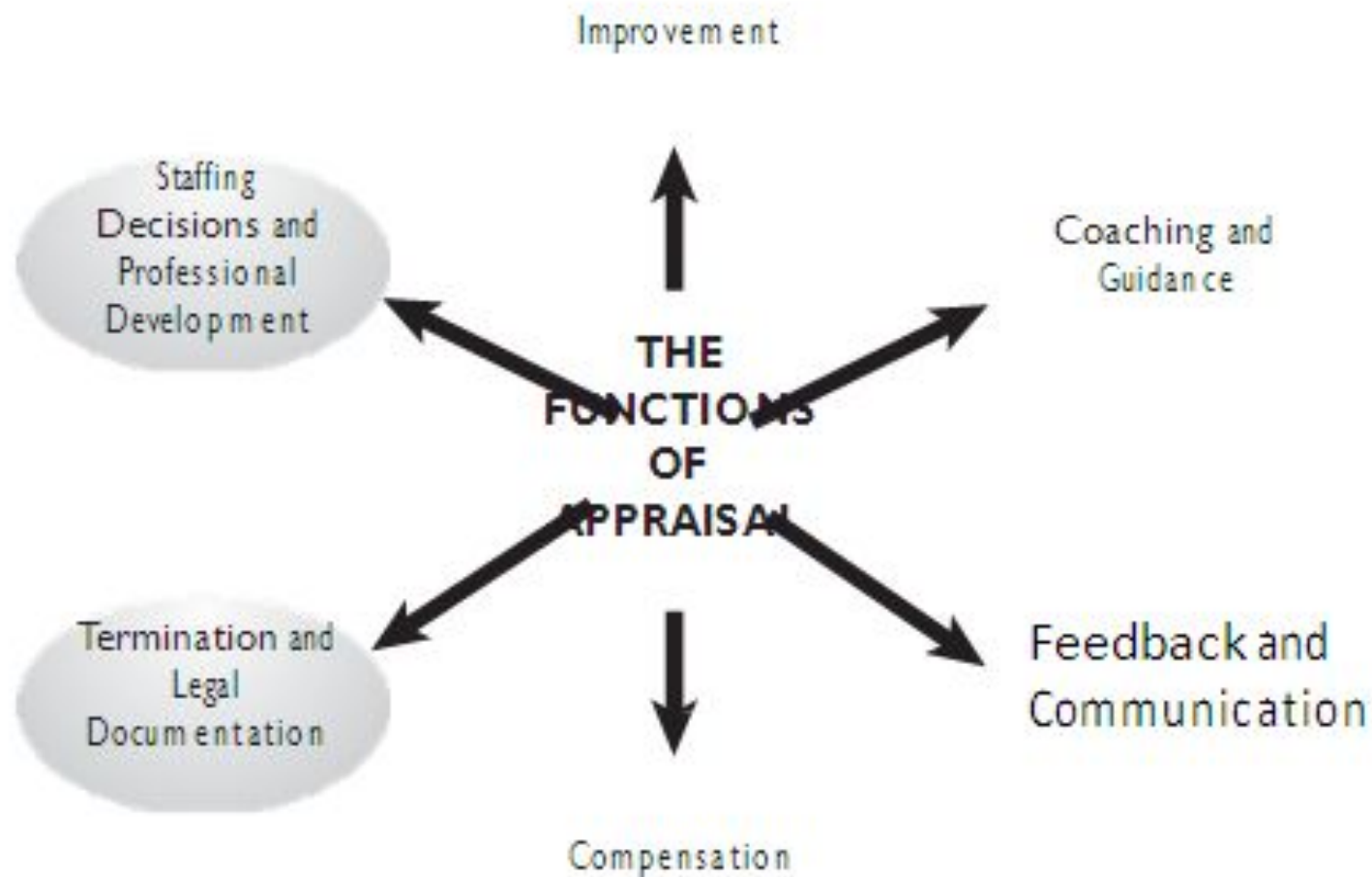
- Feedback system = a **FRPS** response

F- fast

R- relevant

P- positive

S- specific



Rynes, Gerhard & Parks suggest a separation of

Performance evaluation

Pay for performance

“Split roles” notion: counselor of development versus
judge of salary

However, no empirical results suggest that the
combination is detrimental to satisfaction, motivation, or
performance

The last step in the performance management system?

Rewarding employees

Individual Human Needs (McClelland)

- The need for achievement
- The need for affiliation
- The need for power

Within a need satisfaction framework, what do people find rewarding?

The effects of rewards (Lindenberg, 2001)

- How rewards are likely to be interpreted
 1. Via attribution action: to oneself (i) or external cause (e)
 2. Via interpretation of control: controlling (e) or informational (i) of one's competence

(e) – external

(i) – internal

Why would a person work for someone else?

GAIN

People are highly sensitive to opportunities for and threats to the improvement of their resources



Functions of pay

- To increase wanted type of behavior
- In Economics: incentives - costs and rewards following behavior
- In Sociology: value/ goal rational behavior
- In Psychology: from behaviorism (“rewards increase behavior”) to intrinsic motivation (“rewards decrease behavior”)
- Motivation theories deny the importance of pay

2 Effects of pay

- Incentive effect: impact on performance (focus on outcome), same person improves
- Sorting effect: impact on workforce (attracting and retaining certain employees), improvement by changes of employees, e.g. more productive replace less productive – selection effects

To determine pay

How much emphasis is put on performance measures?

How strong should incentives be, how will risk aversion influence effectiveness?

How much emphasis on individual vs. collective contributions?

Individual vs Collective

- Individual incentives/ merit pay
- Gain sharing
- Profit sharing
- Stock plans

Pay for performance:

- Generally positive
- Other motivators available
- If wrong, consequences are seriously wrong, unintended negative effects

Effectiveness of group pay

Drawbacks according to Rynes et al.

- Most employees prefer individual
- Best performers prefer this least, sorting effect
- Weakened incentives: lower expectancy, specifically of rational self-interested individuals

But: Positive incentive effects if promoting cooperation and avoiding overly narrow individual goals.

Comparison group pay over four articles

| Wang & Murnighan | Group pay and greed? Incompatible? |
|-------------------|---|
| Lindenberg & Foss | + stabilizing normative goal frame - Intergroup competition |
| Rynes et al. | At least in US, individual pay preferred |
| Hakonen et al. | + Positive message (respect, recognition) + Positive outcomes (directing efforts, improved attitudes) - pressure, ill-being |

Hakonen et al. - Meaning of pay

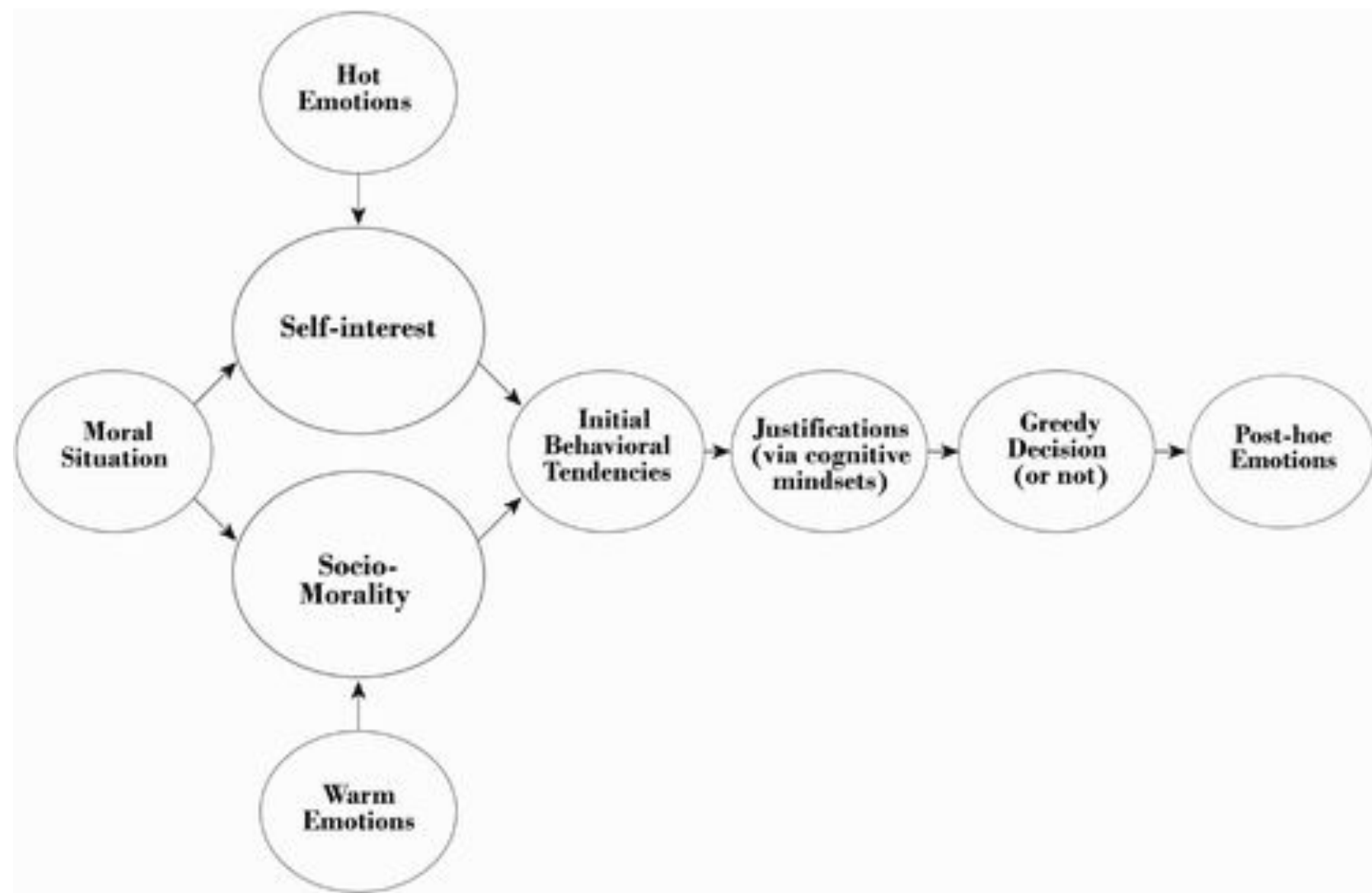
- Motivational properties: what you can do with money to achieve other rewards (instrumentality of pay)
- Relative position: provides information on how you do compared to others, and to own previous performance
- Control: feelings of meaning something to organization, self-determination and competence
- Spending: specific type of instrumentality, ownership/satisfaction

GREED

- Definitional difficulty:
“excessive desire”
“more than is needed”



- Negative in all cultures (or do you know an exception?) because at cost of others, yet “upward surge of mankind”, hypocritical?
- When to be greedy and when not?
- When does self-interest become greed?



CONCLUSIONS

- Each and every's employee performance has to be managed
- Appraisals are critical for determining rewards
- Pay can have many effects: incentive, sorting, goal framing effects
- Sometimes we see a separation of evaluation and pay in research and practice

Questions?