

PGDM 2016-18

Subject: Managing People and Performance in Organizations

Subject Code: DM 423

Trimester – IV, End-Term Examination: September, 2016

Time allowed: 2 hrs 30 min

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	15
		Total Marks	50

Section A (Short Questions)

Attempt any Three.

3*5=15

1. Differentiate coaching from Training
2. Discuss any three types of errors made by appraisers
3. 360 degree feedback
4. Balance Score Card
5. Discuss the three major roles of HR department in Performance Management System

Section B (Long Questions)

Attempt any Two.

2*10=20

1. Management by objectives is not a technique of performance appraisal but it denotes systematic process of Performance Appraisal." Explain critically
2. The job description of a student who requires conducting many team projects is as follow.
" Work with team members to deliver project outcomes on time and according to specifications. Complete all individual assignments to the highest quality, completing necessary background research, making any mathematical analysis and preparing final documents. Foster a good working environment."
 - a. Generate a list of any two competencies for the position described
 - b. Identify any two critical behavioural indicators for each competency
 - c. Generate critical incidents (high, average and poor performance) for each behavioural indicators.
3. "Contingent Pay plans are increasingly popular because, when they are in place, performance measurement and performance improvement are taken more seriously." Justify

Section C: Case Study

All the three questions at the end of case study are compulsory.

15 marks

Forced Rankings Popular at Big Corporations:

Many U.S companies, including Ford Motor Company, General Electric, Microsoft and Hewlett-Packard use forced ranking system and forced distribution systems. Their use of the systems has sometimes generated lawsuits and negative publicity and triggered poor employee morale.

At General Electric forced distribution was advocated by the company's former chief executive, Jack Welch. He insisted that GE annually identify and remove the bottom performing 10 percent of workforce. Such performance ranking takes several forms. Most commonly, employees are grouped into three, four, or five categories usually of unequal size-indicating the best workers, the worst workers and one to three categories in between. At General Electric managers are required to place employees into the top 20 percent, middle 70 percent and bottom 10 percent. The bottom 10 percent receive no bonuses and can be terminated.

Why are forced distribution systems popular? Top level Managers of many companies have observed that despite corporate performance being flat or decreasing, compensation costs have continued to spiral upward, and performance ratings remain high. They question how there can be so little connection between corporate performance and employees' evaluations and compensation. Forced distribution systems are a way to help match company and employee performance with compensation. Poor performer receives no salary increase and the average performers receive smaller increase than are given to top performers.

A forced distribution systems also helps managers tailor development activities to employees based on their performance. For example, poor performers are given specific feedback about what they need to improve and what the timetable is for making the changes. If they don't improve, they are dismissed. Top performers are encouraged to participate in development activities such as challenging job experiences and leadership programs to prepare them for top management positions. So, the use of a forced distribution system is a way for companies to increase performance, motivate employees and open the door for new talent to join the company in place of poor performers.

Still, the practice has problems. Forced distribution asks managers to differentiate between good, average, and poor performers, a distinction many managers find difficult to make. The systems have been difficult to implement, and some companies have gotten into trouble.

In 2002, Ford settled two class action lawsuits for \$10.5 million. Ford said it needed its forced ranking system because its culture discouraged frankness in performance evaluations. The Ford Motors Performance Management System involved grading 1,800 middle managers as **A**, **B** or **C** with 10 percent receiving a **C**. Managers who received a **C** for one year received no bonus; two years at the **C** level meant possible demotion and termination. Some employees claimed the system harmed older, white workers because they received larger proportion of **C** grades. Eventually, Ford eliminated the forced ranking system.

Dow Chemical Global had a forced ranking system until the mid 1990s. The system caused a lot of problems. A study showed that the system took too much time and energy and managers were focused on the appraisal instead of improving employee performance. The same employees consistently were evaluated in the top 15 percent, so other employees wondered how they could ever achieve a higher ranking. The company also found the system was used to deny employee raises. In addition, it did not fit with Dow's philosophy of recruiting the best employees. If the company hired the best, how then some could be rated as poor performers? Dow replaced the system with one in which managers define the performance expectations and then communicate them along with the company's values and the employee's role in maintaining those values. Employees are compared against performance standards, rather than against one another.

Goodyear Tire and Rubber used a system in which 10 percent of its staff would be rated as **A** performers and singled out for promotions. Another 10 percent would be rated as **C** performers and targeted for improvement or dismissal. After getting a second **C** rating, in two years, a chemist at Goodyear was fired. He was fired a few days before he received a patent for new kind of aircraft tire. The chemist and seven other Goodyear employees sued the company, claiming the forced ranking system targeted older employees and not poor performers. Although Goodyear contested the lawsuit, it also abandoned the labeling of employees as **A**, **B**, or **C**. Its new categories are 'exceeds expectations', 'meets expectations' and 'Unsatisfactory.' Employees in the bottom category are still expected to improve or to face reassignment or firing.

Questions:

1. What are the pros and cons of forced distribution and forced ranking systems?
2. Suppose Ford, Goodyear or Dow Chemical contracted with you to modify its performance management system to avoid some of the problems it has experienced. What would you suggest the company do?
3. What advantages will your ideas have over the company's current system? How will you measure the success of your ideas?

Source: Fundamentals of Human Resource management by Neo, Raymond et.al.