

Unit 3 (part 1)

Employee Engagement and Performance Management, Compensation Management

1. EMPLOYEE ENGAGEMENT

Employee engagement is a state where employees are maximizing their heart, mind and body, a state where they are fully contributing to the organization. An engaged employee is the one who works with colleagues to improve performance within the job for the benefit of the organization. He puts forth an extra effort, as well as is very loyal towards his organization, stays there for long and shows strong level of commitment.

Employers with engaged employees tend to experience low employee turnover and more impressive business outcomes.

Employee Engagement is the degree to which an employee is emotionally bonded to his/her organization and is passionate about the work that really matters. It is the level of commitment and involvement an employee has towards his organization and its values.

2. MEANING OF EMPLOYEE ENGAGEMENT

According to Prof. Kahn, Employee Engagement is:

“The harnessing of organisation members’ personalities to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances.”

According to Prof. Daniel, Employee Engagement is a **positive, two-way relationship between employee and his organization where both parties are aware of their own and the other’s needs, and support each other to fulfil these needs and go the extra mile, and both reap mutual benefits.**

According to the text, employee engagement is the bond employees have with their organization. When employees really care about the business, they are more likely to go the extra mile.

It is a concept that places flexibility, change and continuous improvement at the heart of what it means to be an employee and an employer in a twenty-first-century workplace.

3. CATEGORIES OF EMPLOYEE ENGAGEMENT

According to Gallup, a consulting organization, there are three different types of people:

(1) Engaged

“Engaged” employees are builders and want to know the desired expectations for their role so they can meet and exceed them.

(2) Not Engaged

Not-engaged employees tend to concentrate on tasks rather than the goals and outcomes they are expected to accomplish.

(3) Actively Disengaged

These are the “**cave dwellers.**” They are not just unhappy at work; they are busy acting out their unhappiness.

4. 10 C’S OF EMPLOYEE ENGAGEMENT

The 10 C’s of Employee Engagement explain how to “engage” employees and how to allow them to overcome transient dissatisfaction and still remain valued team members.

The ten C’s are:

1. **Connect**
2. **Career**
3. **Clarity**
4. **Convey**
5. **Congratulate**
6. **Contribute**
7. **Control**
8. **Collaborate**
9. **Credibility**
10. **Confidence**

(1) Connect

Managers should connect with employees. Managers must show that they value their employees. They should adopt a friendly and open attitude to all employees.

Employee engagement is a direct reflection of how employees feel about their relationship with the boss. If the relationship with their managers is fractured, then no amount of perks will persuade employees to perform at top levels.

(2) Career

Managers should provide challenging and meaningful work with opportunities for career advancement. There should be job rotation. People should be accountable for progress and jobs should be enriched in duties and responsibilities.

Good leaders challenge employees, but at the same time, they instill the confidence that the challenges can be met.

(3) Clarity

It is expected from leaders to clarify their expectations about employees and provide feedback on their functioning in the organization.

They must establish processes and procedures that help people master important tasks and facilitate goal achievement. Mentoring of younger employees is a good example.

(4) Convey

Leaders must clearly communicate goals, vision and a pathway. People want to understand the vision that senior leadership has for the organization and the goals that leaders or departmental heads have for a division, unit, or team.

Success in life and organization depends critically on how clear individuals are about their goals and what they really want to achieve.

(5) Congratulate

Employees should be frequently given immediate feedback both when their performance is good or bad. Praise and recognition for strong performance is very uncommon.

Leaders must recognize employees for achievement, participation, and outstanding accomplishments.

(6) Contribute

Employees should be communicated that they are important and that they are contributing to the organization's success in a meaningful way.

An employee's understanding of the connection between their work and the strategic objectives of the company has a positive impact on job performance.

Good managers or leaders help people see and feel how they are contributing to the organization's success and future. Leaders need to show employees that their input matters.

(7) Control

Employees value control over the flow and pace of their jobs. Leaders can create opportunities for employees to exercise this control.

Managers should consult with their employees with regard to their needs. The employees should have the right to voice their ideas. Such a culture should be created where employees want to take ownership of problems and solutions.

(8) Collaborate

When employees work as a team with trust and cooperation, they outperform individuals and teams which lack good relationships.

Great leaders are team builders. An environment that fosters trust and collaboration should be encouraged.

(9) Credibility

Leaders are expected to maintain a company's reputation and demonstrate high ethical standards.

Such should be the organization that people feel proud of their jobs, their performance, and their organization. That is possible only in an unethically organization? Employees want to follow a leader who is ethical and honest.

(10) Confidence

The chapter lists **Confidence** as the tenth C of employee engagement. The scanned pages provided do not contain a clearly readable separate explanatory paragraph for this item.

5. PERFORMANCE MANAGEMENT

MEANING

Performance appraisal may be defined as a **systematic evaluation of employee's performance on the job in terms of requirements of the job.**

Tiffin and McCormick

“Performance appraisal is a systematic evaluation of personnel by their supervisors or others who are familiar with the work performance.”

Flippo

According to Flippo:

“Performance appraisal is a systematic, periodic and so far as humanly possible, an impartial rating of an employee’s excellence in matters pertaining to his present job and to his potentialities for a better job.”

Characteristics of Employee Appraisal

On the basis of the above definitions, the following features (characteristics) of employee appraisal are clearly seen:

1. It is the evaluation of employee on the basis of his ability and skill.
2. The rating is made by his supervisor or by somebody conversant with his performance.
3. The aim of merit rating is to assist in promotion, transfer, placement, etc.

As Scott, Clothier and Spiegel have put it, **“Merit rating is used in business...”**

7. OBJECTIVES OF PERFORMANCE APPRAISAL MANAGEMENT

McGregor says:

“Formal performance appraisal management plans are designed to meet three needs, one for the organisation and the other two of the individual.”

They are as follows:

1. They provide systematic judgment to back up salary increases, transfers, demotions or terminations.
2. They are means of telling a subordinate how he is doing and suggesting needed changes in his behaviour, attitudes, skills or job knowledge.
3. They are used as a base for coaching and counselling the individual by the superior.

In detail, they are used for the following purposes:

(1) Promotion

One of the purposes of performance appraisal is to provide a base for giving promotion to employees.

Wherever an employee is to be given promotion, that is when he is to be placed on a higher position carrying more responsibilities and higher emoluments, performance appraisal becomes useful. It is in the interest of both the employer and employee that the latter is given promotion on the basis of his ability and competence.

(2) Transfer

In order to correct the error of wrong placement or to make the maximum use of the ability of employee, he may be transferred from one job to another. Performance appraisal will tell whether this is necessary or not. Transfer does not involve change in powers, duties, responsibilities or remuneration. In addition to promotion and transfer, its purpose is also to assist in decisions about demotion, lay off or dismissal of an employee.

(3) Training and Development

The performance appraisal will be useful in two ways. First, it assesses the skill and ability of employee and if any deficiency is found, to arrange for their training. Second, it is used for development of abilities and skills of officers also.

(4) Wage and Salary Administration

In the determination of increases and decreases in wages and salaries, performance appraisal reports are used. The wage structure is determined on the basis of skill and ability of employees. In certain cases both seniority and performance appraisal form the bases of salary increases.

(5) Personnel Research

This involves gathering facts and finding about the effects of various personnel policies. There may be salary survey, opinion survey, etc. Performance appraisal provides necessary data for personnel research and important findings can be arrived at. This will help in formulating sound personnel policies.

(6) Self-Improvement

A very important purpose of performance appraisal is to find out the deficiencies or limitations of employees. It tells them where they stand, how they are doing and where improvements are needed. This leads to self-improvement. The employee himself will try to make up his deficiencies.

8. COMPONENTS OF PERFORMANCE APPRAISAL MANAGEMENT

The items generally covered in performance appraisal can be listed as below:

1. Regularity of Attendance
2. Written or oral presentation
3. Ability to get along with others
4. Leadership styles and ability
5. Initiative
6. Technical skill
7. Technical knowledge and ability
8. Capability to work
9. Strength and Weaknesses
10. Ability to learn new things
11. Originality
12. Areas of Interest
13. Capacity to take calculated risk
14. Flexibility in dealing with ideas of others
15. Attitude towards job
16. Loyalty to the company
17. Self-reliance in making decisions
18. Ability to take responsibility
19. Accuracy in work and organisational knowledge
20. Knowledge of methods and procedures
21. Ability to make suggestions and quality of suggestions made.

9. BENEFITS OF PERFORMANCE APPRAISAL MANAGEMENT

The text refers to a **1954 National Industrial Conference Board survey** of performance appraisal programmes. It states that 46% of U.S. companies employing more than 1,000 workers were using this technique.

The purposes for which they were used were:

- For wage and salary administration, in **86 per cent** of firms.
- For promotion, in **67 per cent** of firms.
- To let workers know how they are doing, in **76 per cent** of firms.
- For research, in **16 per cent** of firms.

The adoption of merit rating programmes on so large a scale is attributed to the following advantages:

(1) Decision to Continue after Probation

In deciding whether an employee should be retained when his probation period is over, employee appraisal proves very helpful. The supervisors are required to keep an eye on the performance of employees throughout their probation period. They therefore become aware of the employee's strong points or weakness as the case may be. It is because of the use of employee appraisal that the supervisor pays attention to his performance during the probation period.

(2) Raises Employee's Morale

Employee appraisal improves employee's morale. If it is impartial and fair, the employees trust the management. They develop a desire to be rated high. Thus, it stimulates them to reach higher levels of performance.

(3) Develops Supervisors Capacity

Employee evaluation programmes help supervisors to develop capacity to find out the strong and weak points of each employee. They can draw employee's attention to his deficiencies and make an attempt to reduce or eliminate them. Thus supervisors get an opportunity to raise the efficiency of his department.

(4) Basis for Promotion

It provides a sure and scientific basis for promotion of employees. In other words, it avoids personal bias and arbitrary judgement in promotion.

(5) Transfer and Dismissal

It helps, if necessary, in dismissing some of the employees found to be inefficient. The employees who figure very low in merit rating may be demoted on the basis of appraisal. Thus it can be used as a basis of discharge and transfer of workers in an industrial concern.

(6) Useful for Training Programmes

Employee appraisal is used to disclose the need for training programme. Where certain deficiencies are found in a large number of employees, it may lead management to devise a training programme suggested by the results of appraisal.

(7) Useful for Suggestions and Guidance

It can be used as a basis for discussion with each employee regarding his strong points and weaknesses. Suggestions can also be given to them as to how they may improve and reduce their deficiencies.

(8) Helpful to Management

The practice of employee appraisal is a definite aid to management in promoting better understanding in regard to many of the decisions affecting employees.

(9) Increases Production

As the result of performance appraisal, employees develop a sense of competition with fellow workmen. This provides a right incentive for better achievement. The ultimate result is an increase in production.

(10) For Wage Determination

Wage structure is determined scientifically on the basis of abilities and skill of employees brought to light by performance appraisal. The text notes that **86% of the companies of the USA surveyed did it for wage and salary administration.**

(11) Reduces Wastage

As the employees become conscious that they are being judged, they try to reduce wastage, pay more attention to quality of goods and take proper care of materials and machines.

(12) Reduces Employee's Grievances

When employees know that whatever is being given to them is based on scientific evaluation of their performance, they do not complain. Their grievances are reduced and their discipline is controlled.

(13) Better Employer-Employee Relations

Due to performance appraisal, there will be an atmosphere of trust and confidence in management. The employees will freely discuss matters with their supervisors. All these lead to better relations between the two parties.

10. LIMITATIONS / PROBLEMS / ERRORS OF PERFORMANCE APPRAISAL MANAGEMENT

Not all writers on the subject of employee appraisal agree that it can be used for purposes like being helpful to management, increasing production, wage determination, reduction in wastages, development of better employer and employee relations, etc.

In fact, sharp criticism is levelled against present systems of employee appraisal.

Major points of criticism are as follows:

(1) Spill Over Effect

This refers to allowing performance appraisal rating of employee to improperly influence current rating of employee. Employee appraisal is useless in connection with promotion because rating is based on an assessment of what the employee did on his present job. Promotion requires special assessment in terms of requirements of the new job.

(2) Leniency or Severity Effect

Leniency or severity on the part of rater makes the appraisal subjective. Subjective appraisal may fail to provide different purposes of performance appraisal.

There are a few reasons regarding lenient ratings:

1. The rater may feel that anyone who could have been rated unfavourably has already been discharged from the organisation.
2. The rater may feel that anyone under his or her jurisdiction who is rated unfavourably will reflect poorly on his or her own worthiness.
3. The rater may work on the premise that **“whoever associates with me is meritorious, and I am meritorious.”**
4. The rater may want to stick with existing culture of his business and have a response set to approve rather than disapprove.

(3) Halo Errors

The **“Halo effect”** also twists the result of rating.

It means that if a rater observes that an employee is very intelligent or attractive or popular, then the rater is ready to believe that he is very loyal also. Such an attractive/intelligent/popular employee might be given a high overall rating. The effect is found even in schools and colleges, when examiners evaluate students.

Example

The assessment of the performance of a student in his or her exam being influenced by the opening paragraph of every answer. If the initial paragraph is poorly written, the chances of scoring high marks in that answer are decreased, although the subsequent portion of answer may be written excellently.

One author pointed out that even under the most favourable conditions, the halo effect will be present to some extent.

(4) Primacy and Recent Effect

This effect refers to relying on what the employee has done recently by ignoring his or her overall performance.

Example

If a salesman does an important sale just before the completion of appraisal, such latest achievement of such salesman may increase his or her standing, even though the overall performance of the salesman may not be excellent.

In the same way, if a salesman fails to achieve an important sale just before the completion of appraisal, such latest blunder of salesman may decrease his or her standing, even though the overall performance of the salesman may be excellent.

(5) Central Tendency

In simple words, central tendency means rating all employees' average.

It shows the attitude of the rater to play safe. Some supervisors stick to the middle when filling in rating scales.

Example

If the rating scale ranges from 1 to 5, they tend to avoid the highs (4 and 5) and lows (1 and 2) and rate most of their people on an average basis (3).

Central tendency approach may occur as an error in performance appraisal when excellent or efficient employees are incorrectly rated near the average or middle of the scale.

(6) Status Effect

Status effect refers to overrating of employees in higher-level jobs held in high esteem and underrating employees in lower-level jobs held in low esteem.

Due to such tendency, employees who are efficient may not get promotion or may be disadvantaged only due to their position at a lower level.