

# [Citibank: performance evaluation essay sample](https://assignbuster.com/citibank-performance-evaluation-essay-sample/)

[](https://assignbuster.com/)[Finance](https://assignbuster.com/essay-subjects/finance/), [Banks](https://assignbuster.com/essay-subjects/finance/banks/)

Question 1) Which of James McGaran’s performance measures are objective, and which are subjective? Evaluate the pros and cons of objective and subjective measures in a performance evaluation and reward system. Objective performance measures are those which are directly quantifiable and are not subject to the beliefs and interpretations of the observer. Subjective measures on the other hand require interpretation and judgment, and while numerical scores can indirectly be attributed to them, the interpretive element means they are not necessarily absolute or indisputable. By this standard, James’ objective measures are:

Financial measures   
Strategy implementation

The subjective measures are:

Customer satisfaction (can be considered objective depending on the kinds of questions. Seeing as these are based on telephone interviews, we believe the research firm is interpreting the responses to assign scores People

Standards

Objective measures are directly quantifiable and hence tend to be relatively easier to measure. In addition they cannot be inconsistently applied nor are they open to dispute or interpretation on the part of the employee (this allows the measures to be more easily and fairly tied to reward payouts). On the flip side however they can often be restrictive in their scope and application and often do not capture some of the fundamental drivers of business performance and growth. Often objective performance measures can also be misleading and do not provide actionable feedback areas for employees to improve upon, Subjective measures by contrast can capture softer and more nuanced areas of employee performance, many of which are fundamental in assessing the longer term viability of the business. In addition, they can give a better picture of the underlying drivers of the objective performance measures and how the latter can be improved by directly influencing the former. The interpretive nature of such measures however leaves them open to debate and judgment and makes them difficult to consistently and fairly apply both across employees and over time (to assess performance improvements) Given their relative merits, any coherent performance evaluation and reward system should include both objective and subjective performance measures. Question 2)

Evaluate the pros and cons of using multiple measures for evaluating and rewarding performance. What characteristics would you consider when deciding the number and types of measures that should be included in a performance measurement system? Multiple measures can provide a more balanced, richer and nuanced perspective on the employee’s performance. As mentioned above, multiple measures allow the firm to evaluate both objective and subjective criteria and hence encapsulate the relative merits of both. They allow the firm to identify all the relevant drivers of business performance (including those which are directly actionable by the employees) without losing sight of the overarching goals and objectives of the organization (be it profit maximization, TSR, market share etc). With multiple measures firms can thus holistically assess not only the merits of an employee’s performance in isolation, but also its link to, and impact on the firm’s performance as a whole.

Despite its obvious advantages, the use of multiple measures may also result in employees and managers getting lost in a ‘ deluge of data’ or getting sidetracked by less important or actionable measures. In addition, it becomes more difficult to tie individual measures to a single overall performance score or bonus payouts in a fair and transparent manner. Moreover multiple measures are more difficult, costly and time-consuming to monitor, track and follow-up on. The canonical management literature places no bounds on the ‘ ideal’ number of measures. The precise number will vary from industry to industry, firm to firm, and position to position. In each case the firm must decide on a number that is not too large so as to sidetrack both managers and employees and not too small so as to not capture the fundamental elements and drivers of performance. More critically the measures should be chosen such that they form part of the manifestation of a coherent organizational strategy. As such they should cover financial, internal business, external customer, and learning/growth related objectives and should be actionable, measurable (directly or indirectly) and transparent.

Question 3) Assuming that you are Lisa Johnson. Complete Exhibit 1 to evaluate James’ performance. Specifically, what par scores would you give to James for each category and WHY? What bonus amount should he be given and why? Based on an assessment of James’ quarterly performance, we would assign the following scores: Financial: Above par. An exceptional year-round performance with impressive revenue and contribution margins not just in absolute and relative terms, but also in Y-o-Y growth. Actual performance well above targets for the year Strategy Implementation: Above par. Strong growth seen in business, professional and retail. Quarterly ratings were all either Par or Above par Customer satisfaction: Below par. Well below target satisfaction goals. Scores decreased from Q1 to Q3 with only a par rating achieved in the final quarter of the year. Given the current strategy of the bank, customer satisfaction is of paramount importance and hence particular consideration must be given in not unduly inflating James’ actual performance in this category. Control: Above par.

Three out of three above par quarterly assessments, with the highest scores achieved in two of the three People: Above par. Highly rated as a people manager with strong Viewpoint results and excellent team building and motivation skills. Above par performance in each of the quarter assessments Standards: Above par. Above par performance in almost every subcategory in each quarter. Strong leadership, business networking and community oriented initiatives displayed Overall: Par. Despite his above par rating in 5 of the 6 categories, poor customer satisfaction ratings preclude him from an overall ‘ above par’ score. (According to company policy, without par ratings in each of the individual dimensions, an overall above par score cannot be given. Given the particular importance of customer satisfaction this policy should not be relaxed despite the overall impressive performance). We would thus recommend an overall bonus of 15% of base salary, in line with the category rewards.

Question 4) What specific changes would you recommend for improving the Citibank scorecard system in the future? Several changes can be instituted to improve the scorecard system going forward: i) Using a more granular performance assessment scale, one that has more than 3 score categories. We would recommend moving to a 5 point or 7 point scale to capture the nuances of individual performance differences. ii) Establishing bands around the goals / targets for quantifiable performance measures to determine under or over performance. For example 10% below targets, results in a score of 2, 20% below targets a score of 1 and so on iii) Using a broader set of reward payout ranges. In this case for example James could have been awarded the higher end of overall “ par” performance evaluations and not be fixed to the rigid 15% payout for the category iv) Instituting measures for overall growth and learning to account for long term viability and sustainability of business performance. v) Assigning weights to the different categories to reflect their importance to the company’s overall vision and strategy vi) Assigning scores to sub-categories where applicable and adding the sub scores to more objectively determine the overall category scores