

Performance appraisals within organisations management essay



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Performance management refers to the overall efficiency of the Organization; Team performance as well as individual efficiency is created by understanding and managing employee performance within a framework of planned goals, standards and other competitive requirements. Performance appraisal develops individual performance, improves organisational performance and analyses the effectiveness of business planning. (Sparrow. P, 2009)

When working with expatriates and host country nationals, maintaining and developing an effective performance appraisal system is crucial.

Organizations should retain the right people then develop and promote them in order to motivate the employees. Performance appraisal systems provide important information to distinguish between the different performances levels of employees and provide adequate feedback for the development of the employees.

Performance criteria

The Job description and job specification are two important evaluators since the specific goals and tasks are clearly defined. Goals can be translated into performance appraisal criteria, so measurability and specificity issues are essential aspects and therefore the need for hard, soft and contextual goals are often used as the basis for performance appraisal criteria.

Hard goals- criteria that are quantifiable, objective and directly measured for e. g. Market share, Return on Investment, profits, etc. Hard goals are appropriate to compare performance across employees and departments.

Soft goals- criteria based on relationships or traits, such as interpersonal skills or leadership style. In order to have an accurate performance appraisal of the employees it is essential to have soft goals especially when hard criteria are not available.

Contextual goals- consideration factors that may result from the situation in which the employees are performing. These factors are indomitable by foreign operations and external conditions associated with it. For e. g. Multinational organizations use arbitrary transfer pricing in order to minimise foreign exchange risks and tax expenditures. (Dowling and Welch, 2005)

Our company will be using hard, soft, and contextual goals since hard criteria is supplemented by frequent visits by parent country staff and executives also relying on financial measurements mentioned above to evaluate how well a manager operates a foreign subsidiary. We will be using soft criteria to complement these hard goals and to take areas that are hard to quantify. Using all of the three criteria's for our appraisal system will help our company to build upon the strengths and to reduce their disadvantages.

Who should conduct the Performance appraisal?

Some of the popular practices of appraising employees are by self evaluation, peer evaluation, subordinate evaluation and team appraisals. It is essential for the expatriate to measure his or her own performance (self evaluation) as means of up-keeping their own levels of motivation. This allows them to identify their performance levels and help them assess the adequacy of the reward systems available. Self evaluation should be done

along with the subordinate evaluation and peer evaluation to have a well-balanced performance appraisal measurement.

When assigned with foreign assignments, performance evaluation of the expatriate managers can be done by host country managers or Parent country managers. In most of the instances, expatriate managers will be evaluated by both Host country and parent country managers in order to avoid any bias evaluations. If the expatriate appraisal is only done by the Host country managers, then contextual criteria can be taken into account when assessing an expatriate's job performance but host country managers will have cultural- bound biases that may prevent them to put the expatriates performance into a broader organisational context. Parent country managers may not take contextual criteria into account but they can definitely place the expatriate's performance into a broader organizational framework. Parent country managers will be biased by the lack of expertise and experience of working overseas. Therefore to avoid any misconceptions we are recommending that the expatriate performance appraisal should be done by both the host country manager and the host country manager and the average result of both of the managers can be taken into account.

Main Appraisal system

Using performance appraisal techniques are important due to the fact that individual performance is linked to organisational goals. While achieving the organisational goals, the performance appraisal system is designed to enhance the potential of employees in terms of personal development which

may contribute to employee satisfaction and increased involvement in the organisation.

Organisations use different types of performance appraisal techniques. Our company will be using the Management by objectives approach as our main appraisal system, depending on the organisational context and the cost of such a technique.

Management by objectives

Management by objectives (MBO) is an appraisal technique where the manager and the subordinate mutually identify common goals in order to define the subordinate's major areas of responsibility in terms of the expected results, and use these measurements in assessing the subordinate's performance. (Stone, 2005)

Objectives will be set by our top level and corporate level executives, these objectives will be passed along to all the employees who will then perform in order to achieve these common objectives. Employees will be put into different groups according to the jobs that they have to perform and then a team leader will be selected according to her or his knowledge, skills and leadership skills in order to assist every team member. Motivational strategies may be followed in order to energize the team members. Any problems or issues regarding the job will be communicated to the team leaders and their corporate level managers. Most importantly performance evaluation will be made based on the performance of each team, the best team to reach their target objectives will be rewarded on a monthly basis or once in three months depending on the length of the task. This technique

will help poor performances to improve team efficiency in order to increase the overall productivity for Arpico Super Centre.

Performance Feedback

Performance Feedback regarding the expatriates and the host country nationals should be given on a timely and accurate manner so that they will be told whether they are performing up to the required standards in an accurate manner and the areas that they need to focus in order to improve.

Since our company will be newly based in Melbourne, performance evaluation will be given to the expatriates and the HCN's every six months, so that the employees will be given proper recognition for their individual and team performance for the tasks that they have successfully completed. Effective feedback can motivate them to improve in their work in order to achieve greater results. Also our company will be evaluating the Expatriates and the host country nationals in a cultural sensitive manner in order to avoid any discriminating factors.

Compensation

A proper compensation plan is of paramount importance. It plays a crucial role in attracting, retaining and motivating international employees. The formulation of such an elaborate compensation plan is by no means an easy task. However, it is the lack of such an extensive plan which leads to premature return of expatriates and also the decline in managers taking up international roles. (Dowling & Welch, 2005).

Legal formalities and cultural consideration will always have a foot hold in forming and shaping such compensation plans. Therefore it is the responsibility of the HR team of eclipse consultants of such plans in order to strike a balance between the requirements of the host country and parent company.

Key components of the international compensation program

Base salary

Base salary is the foundation block for international compensation whether the employer is an expatriate or a third country national. In the domestic context base salary denotes the amount of cash compensation serving as a benchmark for other compensation packages such as bonuses and benefits.

(Dowling and Welch, 1999)

For the expatriates the base salary is the primary component of a package allowance many of which are related to Foreign Service premiums, housing allowances and cost of living allowances etc. The salaries of expatriates will be given according to the salary structure in Srilanka. The expatriate's salaries will be paid in the host country currency.

Allowances

Allowances are given to the expatriates as payments for the extra costs that they will have to incur these compensations are made to them in order for the expatriates to live in a similar manner overseas as they did in the parent country. (MNC's approach, 2008)

The allowances that we will be giving our senior managerial expatriates are, cost of living, housing allowances tax differentials and relocation allowances in order to help them to adjust in Australia.

Cost of living allowances involves a payment to compensate for differences in expenditure between Srilanka and Australia. Payments for utilities, income tax or discretionary items come under the cost of living allowances. This allowance will be standardized as 25% of the expatriate's base salary.

We will be giving housing allowances as much as 10 to 35% of the expatriates total compensation package, for the senior executives so that they can rent houses in Melbourne since housing rents are expensive. These housing allowances are given so that the expatriates will be entitled to maintain their home- country living standards.

Other benefits

Other compensational benefits include bonuses such as overseas premiums and home leave reimbursements. Premiums, cash payments are given for taking up an overseas job and relocating in another country, therefore we will be giving adjustment allowance and hard ship allowance of a range from 10 to 20 percent since overseas premiums are established as a percentage of the base salary. In addition expatriates will be given medical coverage and will be paid for periodic trips back to Srilanka annually and will be given a one month's leave.

Approaches to Compensation

There are mainly two approaches to compensation such as the going market approach and the balance sheet approach. The going market approach is where the base salary for international transfer is linked to the salary structure in the host country. This approach is based on the local market rates. (ORC, 2009).

We will be using the balance sheet approach links the base salary for the PCN's and TCNs to the salary structure of the relevant home country. Allowances are provided for the expatriates to maintain a paradigm of living in a similar way when they were residing in Srilanka.

In the balance sheet approach the base salary is divided in to four main categories such as the income taxes, goods and services, housing and reserve (savings and investments and pension contributions). (ORC, 2009). It has to be noted that when the costs associated with the Australian assignment exceeds the equivalent costs in Srilanka, these costs are met by both the firm and the expatriate to ensure that the Srilankan purchasing power is achieved.