

ECOLE DES HAUTES ETUDES COMMERCIALES

EHEC

**Thesis submitted in partial fulfillment of the requirements for master's
degree in commercial sciences**

Major: Human resources management

**The impact of compensation management on
employees' performance and motivation**

**CASE STUDY:
FADERCO SPA**

Submitted by:

Mr. GRINE Mohamed Wassel

Supervised by:

Pr. BOUCHA Nesrine

Senior lecturer

7th promotion

September 2020

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Abstract

The realization of organizational objectives is in most cases achieved through the human resource asset and there is need therefore to enhance the commitment of employees to the organization. Hence the identification of all possible factors that increase employee commitment is of utter importance. Indeed, compensation management is an essential element of human resource management. It influences the decision of potential employees to join an organization and determines employer-employee relationship after employee joins the organization.

The compensation management should in addition encompass both monetary and non-monetary rewards is not only paid to employee in exchange of the services rendered while taking into consideration employment contract, competence and skills, it is designed into the end of improving employees' performance.

We did our practical internship in “FADERCO” in order to indicate the impact of compensation management on employees' performance, taking the example of an Algeria industrial company.

Keywords: compensation, employee performance, incentives, performance appraisal, financial rewards.

Résumé

La réalisation des objectifs de l'organisation est dans la plupart des cas réalisée grâce à l'atout que constituent les ressources humaines et il est donc nécessaire de renforcer l'engagement des employés envers l'organisation. L'identification de tous les facteurs possibles qui augmentent l'engagement des employés est donc d'une importance essentielle. En effet, le management de la rémunération est un élément essentiel de la gestion des ressources humaines. Ça influe la décision des employés potentiels de rejoindre une organisation et détermine la relation employeur-employé après l'entrée de l'employé dans l'organisation.

Le management de la rémunération doit en outre englober les récompenses monétaires et non monétaires. Elle n'est pas seulement versée à l'employé en échange des services rendus tout en tenant compte du contrat de travail, des compétences et des aptitudes, elle est conçue dans le but d'améliorer la performance des employés.

Nous avons effectué notre stage pratique à "FADERCO" afin d'indiquer l'impact du management de la rémunération sur la performance des employés, en prenant l'exemple d'une entreprise industrielle en Algérie.

Mots-clés : rémunération, performance des employés, les primes, évaluation des performances, récompenses financières.

ملخص

تتحقق الأهداف التنظيمية في معظم الحالات من خلال الموارد البشرية المتاحة ، وبالتالي هناك حاجة لتعزيز التزام الموظفين تجاه المنظمة، لذلك فإن تحديد جميع العوامل المحتملة التي تزيد من إشتراك الموظفين أمر بالغ الأهمية، في الواقع ، تعد إدارة الأجور عنصرًا أساسيًا في إدارة الموارد البشرية، بحيث إنه يؤثر على قرار الموظفين المحتملين للانضمام إلى الشركة ويحدد العلاقة بين صاحب العمل والموظف بعد إنضمام الموظف إلى الشركة.

يجب أن تشمل إدارة الأجور أيضًا المكافآت النقدية وغير النقدية، يتم دفعها للموظف ليس فقط في مقابل الخدمات المقدمة مع مراعاة عقد العمل والمهارات والقدرات ، بل إنها مصممة بهدف تحسين أداء الموظفين.

لقد قمنا بتدريبنا العملي في "FADERCO" للإشارة إلى تأثير إدارة الأجور على أداء الموظف ، مع أخذ مثال شركة صناعية في الجزائر.

الكلمات المفتاحية: الأجر ، أداء الموظفين ، الحوافز ، تقييم الأداء ، المكافآت المالية

Dedication

I dedicate this thesis to God Almighty my creator, my strong pillar, my source of inspiration, wisdom, knowledge and understanding.

To my soul, my mother, for her love, patience, support, caring and endless sacrifices, I can never repay what you did to me in my life, may god bless you.

To my aunts, *SAMIA* and *YAMINA*, for their encouragement and love, whose good examples have taught me to work hard for the things that I aspire to achieve.

To my grandma, my second mother, who supported me no matter what, may god bless you.

To my one and only brother, *MINO*.

To the man whom I consider my more than brother, *AYMEN TASOURIT*.

To my beloved friends, *SALAH*, *ASSIL*, *SOFT*, *GUESSOUM*, I am really honored and lucky to know you in my life.

To all the people who stood by my side and believed in me.

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I would express my special and heartily thanks of gratitude to my supervisor, Professor *BOUCHA* Nesrine who encouraged and directed me. Her challenges brought this work towards a completion. It is with her supervision that this work came into existence. For any faults I take full responsibility.

I would like to thank all the HR department of FADERCO, to Mr ZEBOUCHI Mohamed, for his patience and efforts.

Finally, I would like to thank the members of the jury for their time and effort. to evaluate our work.

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List of abbreviations:

CEO: Chief Executive Officer

CNAS: Caisse Nationale des Assurances Sociales

CNR : Caisse national des retraites

HRA: House Rental Allowance

KPI: Key Performance Indicators

KRA: Key Result Area

MBO: Management by Objectives

PEA: Professional Experience Allowance

SPA: Société Par Actions

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General introduction

General introduction

The relationship between employers and their employees, is expected to be mutually reciprocal. The employer expects employees to give their best in the areas of monitoring their performance, learning to develop themselves, adhere to rules and regulations in the performance of their assigned duties to increase productivity. They also expect their employees to be innovative and take initiative and address problems on their own. Employees on the other hand are also looking up to the employer or management to provide the necessary tools and equipment they need to work with and also get fair compensation for the work they do and the other services they provide.

Therefore, the most valuable asset of an organization is its human capital and they must be managed efficiently to ensure increased productivity. It has been said that compensation management is an area of the corporate world that has not been given much attention hence the very rampant industrial actions experienced in industry.

Compensation plays an important role in organizations that want to reach their objectives and goals. It goes without saying that organizations which do not properly manage this aspect of human resource activity very well will have a negative impact on the total performance of their employees and impact on productivity.

Ordinarily compensation management as in many Algerian industrial firms should boost performance but may also have a negative impact on organizational performance when the compensation management within an organization in addition to its culture fails to recognize and reward performance but rather gives most of its attention to her bureaucratic staff grading system without doing everything possible to identify and retain staff on which it had an absolute cost advantage.

The productive level of employees or work force group could always be influenced by compensation structure. A compensation structure that is developed from a performance management model that is deeply dedicated to identifying and rewarding performance and subsequently at a reasonable level reprimand poor performance could trigger an organization culture that will encourage staff to put in their best as they see a clear relationship between performance and compensation. It is also important to note that each compensation policy a firm decides to employ has related cost implication. Efficient consideration and management of cost implication of compensation policy is vital to the growth and survival of organizations.

One of the issues identified in the Algerian major private sector industries is the classic compensation management used by companies to pay their staff. Nonetheless, some companies have adopted a model that ensures that each employee adds financial value to the organization by assigning varying degrees of business targets to employees according to their ranks, irrespective of their department.

The compensation management in the Algerian private sector industry line is the interest of this research work as a major cause of the lingering poor performance of most of its working force.

The aim of research is to investigate compensation management as the endpoint of performance management, to determine the kind of compensation that will motivate employee to give their best and to identify the forms of compensation and recommendation ways of addressing challenges in compensation management.

With this being said, our primary research question is:

“What is the impact of compensation management on employees' performance and motivation?”

In order for this research question to be clearly answered, we have found that it is extremely essential to ask the following four sub-question:

- 1- What is the relationship between incentives, reward and the performance of human capital?
- 2- Are there significant issues associated with compensation management?
- 3- Is there a relationship between performance management and compensation management?

After initiating the essential previous studies and researches, and from the basis of some personal remarks and perceptions, we based our research on the next hypothesis which can be denied or confirmed at the end of our research work:

In order to answer our primary research question and the secondary questions that result from it, we have made the following initial hypotheses:

Global hypothesis: “There is a significant relationship between compensation management and employees' performance.”

Secondary hypothesizes:

- H1:** There is a significant relationship between incentives, financial rewards and human capital performance.
- H2:** There are some significant issues associated with compensation management.
- H3:** There is not a significant relationship between performance management and compensation management.

For the planning of this thesis, we used an appropriate methodological approach in order to be able to answer to the research question and test the initial hypotheses, thus we have adopted the descriptive and analytical method;

-The descriptive method: formed by the first two theoretical chapters of our thesis

-The analytical method: which will be only qualitative method for the reason of the recent pandemic (Covid-19), composed of online-interviews; the detail of this method shall be discussed in the third last practical chapter of this thesis.

Ultimately, we have structured this work into three chapters, as follows:

Chapter I: in this first chapter, an investigation of several literature concepts that were found well related to our theme, this includes compensation, its concept, theories, moving to drawing a general framework of compensation management objectives and duties of a compensation manager, and discussing issues facing the compensation management, secondly understanding the compensation system general structure, and finally concluding this chapter by defining the role of incentives and financial rewards on employees performance.

Chapter II: that will be about performance management and its important aspects, also its principal theories, followed by a profound description of the performance process and cycle in terms of planning, acting, monitoring, and reviewing performance, finally, we conclude this chapter with identifying the performance evaluation, its process, selection of the evaluator and stating the common performance methods utilized in the present human resource management.

Chapter III: which constitutes the last part of our thesis work; in this chapter we will present the host company, secondly the research methodology utilized in this work shall be explained, and finally, presenting and analyzing the various research results obtained by the qualitative method research.

Chapter 1: Compensation management

Chapter 1: Compensation management

Introduction of the chapter one:

Compensation of employees for their services is important responsibility of human resource management. Every organization must offer good wages and fringe benefits to attract and retain talented employees with the organization. If at any time, the wages offered by a firm are not competitive as compared to other firms, the efficient workers may leave the firm. Therefore, workers must be remunerated adequately for their services.

Compensation to workers will vary depending upon the nature of job, skills required, risk involved, nature of working conditions, paying capacity of the employer, bargaining power of the trade union, wages and benefits offered by the other units in the region or industry etc., considering that the current trend in many sectors is to treat the employees as “creators and drivers of value” rather than one more factor of production, companies around the world are paying close attention to how much they pay, the kind of components that this pay includes and whether they are offering competitive compensation to attract the best talent, and maintain their best performance.

In this chapter the researcher will present the different definitions of compensation management by answering the question what is compensation, its theories? Followed up with the compensation system structure, then focusing on the relationship between compensation management and employee performance, the main aim sought by this study.

Section 1: Theoretical review.

1 Definition of compensation

Mikovich stated that, “*Compensation refers to all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship*”.¹

Gary Dessler in his book “Human Resource Management” defines compensation in these words “*Employee compensation refers to all forms of pay going to employees and*

¹ MIKOVICH, (G), NEWMAN, (J), “*Compensation*”, 11th International edition, USA, McGraw Hill, 2014, p. 13.

arising from their employment.”¹ The phrase "all forms of pay" in this definition it includes only the direct and indirect financial compensations and not non-financial benefits.

*“Pay or compensation represents an exchange between the employee and the organization. Each give something in return for something else. What the employee provides the employer is a labour service, usually known as work.”*²

Compensation is the total of the monetary and non-monetary pay delivered to an employee by an employer in return for work performed as required. It is based on market research about the worth of similar occupations in the marketplace, employee contributions and accomplishments, the availability of employees with like skills in the marketplace, the intention of the employer to pull and retain a particular employee for the value they are perceived to add to the employment relationship, and the profitability of the company or the funds available in a non-profit or public sector setting, and thus, the ability of an employer to pay market-rate compensation.

Compensation also includes payments such as bonuses, profit sharing, overtime pay, recognition rewards and sales commission. It can also include non-monetary perk such as a company-paid car, stock options in certain instances, company-paid housing, and other non-monetary, but taxable income items. Compensation management is a general policy, designed to help an organization maximize the returns on available talent. The ultimate objective is to reward the right employees to the greatest extent for the most relevant reasons.

2 The concept of compensation

Compensation is a wide range of financial and non-financial rewards to employees for their services offered to the organization. It is paid in the form of wages, salaries and employee benefits such as paid vacations, insurance maternity leave, free travel facility, retirement benefits etc., monetary payments are a direct form of compensating the employees and have a remarkable impact in motivating employees.

Compensation is also a systematic approach to maintaining monetary value to employees in exchange for work done. It is a tool handled by managers for a diversity of aims to endure the

¹ DESSLER, (G), “*Human Resource Management*”, 15th edition, Pearson, London, United Kingdom, 2016, p. 346.

² BHATTACHARYYA, (K), “*Compensation Management*”, 1st edition, Oxford University Press, 2009, p. 2.

existence of the company. It may be designed according to the business needs, goals and available resources.

“the concept of compensation a great deal in recent decades—moving from a traditional base pay and bonus structure to a broader “Total Rewards” approach—its evolution is hardly complete. The years to come will see continued change in market and workforce dynamics.”¹

The system of compensation should be so designed that it can achieve these following objectives.

The talented employees are attracted towards the organization

The employees are motivated for a better performance

It reduces the possibility of employees leaving the organization

3 Theories of compensation

3.1 Reinforcement and expectancy theories

Reinforcement theory assumes that behaviors with rewarding experience are likely to be repeated. The meaning of salary is that higher employee performance followed by monetary rewards will make future employee performance more likely. For the same reason, if there is no subsequent reward, high performance will make it impossible to relapse in the future. The theory emphasizes the importance of people who actually experience rewards.

Psychologist Victor Vroom's² Expectation theory begins with the idea that people tend to lean toward certain goals or results. Therefore, they expect to be satisfied with this preferred result. The term valence applies to this feeling of a particular ending. If there is a regular valence, the result is preferred. If there is a negative valence, no results are desired. The result may be a valence in itself, or it may be expected to lead to other results, which may be the source of people's satisfaction or dissatisfaction.

Vroom's *“expectancy motivation theory echoes these common-sense observations. He says a person’s motivation to exert some level of effort depends on three things: the person’s expectancy*

¹ BERGER, (L), BERGER, (D), *“The Compensation Handbook”*, 5th edition, McGraw-Hill, New York, 2008, p. 11.

² WENDELIEN, (V), HENK, (T), *“Vroom’s Expectancy Models and Work-Related Criteria: A Meta-Analysis”*. *Journal of Applied Psychology*, (1996). N°81, pp. 575-586.

(in terms of probability) that his or her effort will lead to performance”;¹ “instrumentality, or the perceived connection (if any) between successful performance and actually obtaining the rewards; and valence, which represents the perceived value the person attaches to the reward”.²

In Vroom’s theory:

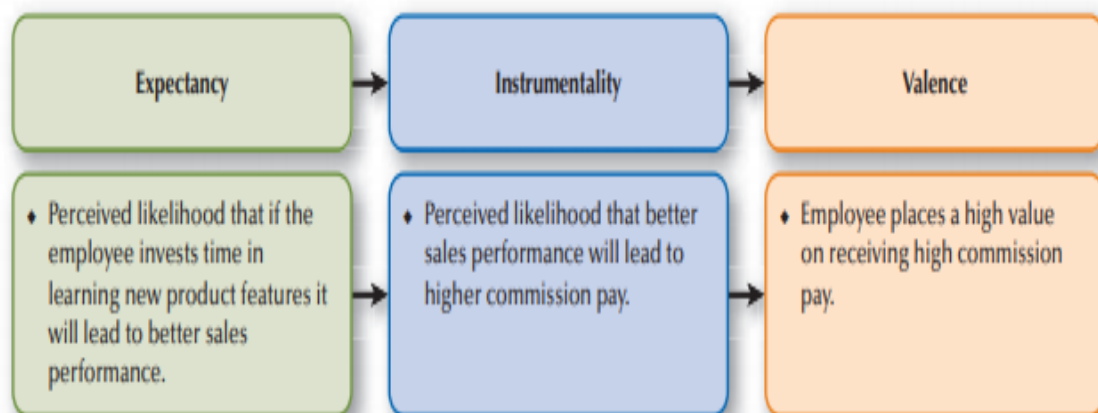
Motivation = (E x I x V),

E: Expectancy: Does the individual believe that they can achieve the task?

I: Instrumentally: What is the probability of completing the task leading to an outcome desired by the individual?

V: Valence: Does the individual believe that completing the task will benefit them or cause detriment?

Figure n°I.1: Vroom expectancy theory



Source: MATHIS, (R), JOHN (J), VALENTINE, (S), “*Human resource management*”, 15th ed. Boston. Cengage Learning. 2017, p.418

3.2 Equity theory

Adam's³ equity theory says that an employee who perceives inequity in his or her rewards seeks to restore equity. The theory emphasizes equity in pay structure of employees' compensation.

¹ TRIANDIS, (H), DUNNETTE, (M), HOUGH, (L), “*Handbook of Industrial and Organizational Psychology*”, Consulting Psychologists Press, Palo Alto, Canada, 1994, p. 113.

² DUNNETTE (M), “*Industrial and Organizational Psychology*”, Rand McNally, Chicago, 1976, pp. 74-75.

³ ADAMS, (J) “*Toward an understanding of inequity*”, *Journal of Abnormal Psychology*, N°67, 1963, pp. 422-436.

“This theory traces the cause of employees’ satisfaction and dissatisfaction in the job to their perception of fairness or unfairness in the balance between their job efforts and job rewards. It is, therefore, necessary for the organization to develop a fair balance between the job efforts called input and the job rewards called output.”¹

The Equity theory manages the way people compare their working values to others in similar work situations based on their inputs and outputs. Inputs are what you bring into the situation, like skills, time and education. Outputs are everything you gain in return, like salary, bonuses, raises and promotions. The theory assumes that people’s motivation in a company is based-on the intention to be treated equally and fairly. When the output/input ratio is equal, fairness prevails, so there is not much motivation to change this situation. When the input is not too much like work or time spent working, but the output of pay is higher there is a perceived inequity in the situation.

Inequities occur when the output/input ratio is not equivalent to the comparison person. Inequities motivate the employee to try to achieve equality. When an employee feels there is inequality, they can do many things to reduce their inequity. They can increase or decrease their inputs or outputs, leave, distort their own or the others input or outcomes, or just change the comparison person.

3.3 Agency theory

Agency theory, initiated by Eisenhardt², until recently best known in the economics, finance, and law literatures, focuses on the divergent interests and goals of the organization's stakeholders, and the ways that employee compensation can be used to align these interests and goals. Ownership and management (or control) are typically separate in the modern corporation, unlike past when the owner and manager were often the same person. With most stockholders far separated from day-to-day operations, so-called agency costs (i.e., costs that arise from the interests of the (principals/owners) and their (agents/managers) not converging are created. What is best for the (agent/manager), may not be best for the owner.

¹ DURAI, (P), “*Human Resource Management: For VTU*”, Pearson, 2011, p. 243.

² EISENHARDT, (K), “*Agency theory: An assessment and review*”, *Academy of Management Review*, N°14, 1989, pp. 57-74.

Lambert¹ stated that examples of agency costs include management spending money on perquisites (e.g., "superfluous" corporate jets) or "empire building" (acquisitions that do not add value to the company but may enhance the manager's prestige or pay) rather than seeking to maximize shareholder wealth

4 Principle objectives of compensation management

The objectives of compensation or wages can be classified under four broad categories: equity, efficiency, macro-economic stability, and optimum allocation of labor.

4.1 Equity in compensation

The primary objective of compensation administration is to ensure internal and external equity in the payment of salary and other benefits to the employees. Internal equity refers to the payment of equal compensation for jobs of similar nature and worth within the organization. The organization should determine the worth of each job through a job evaluation process. Through job evaluation, jobs with similar characteristics could be brought under a single job grade for the purpose of fixing the same pay grade. External equity refers to the payment of compensation to the employees at par with the wages and salary paid by similar companies for similar jobs in the industry.

“Compensation management strives for internal and external equity. Internal equity requires that pay be related to the relative worth of a job so that similar jobs get similar pay. External equity means paying workers what other firms in the labour market pay comparable workers.”²

4.2 Efficiency

Achieving the desired level of individual and organizational efficiency is also an objective of compensation administration schemes. Every organization considers compensation as an effective instrument to fulfil the organizational goals and objectives by enhancing the productivity, performance and commitment of the employees. According to Durai³, Organizations normally

¹ LAMBERT, (A), LARCKER, (F), “Executive compensation, corporate decision-making, and shareholder wealth”, F. Foulkes, 1989, p. 287.

² BHATTACHARYYA, (K), “Compensation Management”, op.cit. p. 6.

³ DURAI, (P), “Human Resource Management : For VTU”, op. cit., p. 239.

achieve the desired level of employee efficiency by including an incentive component in the compensation payable to the employees. Generally, these incentives are linked to the performance of the employees and the profitability of the organization. An organization may offer individual and/or group incentives to its employees as part of the compensation package in order to ensure effective goal accomplishment.

4.3 Macroeconomic stability

It can be achieved through high employment levels and low inflation. For example, an excessively high minimum wage can have an adverse effect at the level of employment. Although the extent to which it happens is a matter of debate.

4.4 Efficient allocation of labor

The effective distribution of labor in the labor market means that employees will move to wherever they receive net income. Such an exercise may be from one location to another location, or from one job to another. The availability of financial incentives led to this trend.

4.5 Compensation and talent management

According to Barney and Wright¹, *“Talent is rare and inimitable human resource value, for which organizations compete globally. A talent driven organization can outperform their competitors.”*

Today’s business dynamics have changed the world’s business landscape. In order to survive in this business environment, organizations around the world are competing for talent. It requires the organization to appropriately formulate its talent strategy to attract and retain talent, and to develop internal talent pipelines. Over the years, the mobility of talented people across organizations has increased. Cross-border recruitment, cross-industry recruitment, and even talent poaching has now become almost routine pursuits of organizations.

Performance-based compensation, performance-related compensation, innovative stock options, broad-based rewards and incentive plans, and deferred benefits and allowances are all monetary compensation components for effective talents management in the organization. In

¹ BARNEY, (B), WRIGHT, (P), *“On becoming a strategic partner: The role of human resources in gaining competitive advantage”*, Human Resource Management, N°37, 1998, p. 31.

addition to these, organizations also use appropriate non-monetary compensation components, such as investment in learning and development opportunities and vacation plans.

4.6 Other objectives of compensation management:

a. Employee motivation and retention

Retaining the existing employees is another objective of the compensation programs. A well-designed compensation scheme motivates the employees and facilitates the retention of the best employees for a long time in the organization. In this way, it helps the organization in keeping the labor turnover and the related HR costs under control.

b. Goodwill in the labor market

Encouraging the best candidates to apply for the job vacancies and to make them accept the job offers issued by the organization after successful selection is another objective of compensation administration. Through an effective compensation policy, an organization can create a highly positive image of itself in the labor market. The goodwill created in the labor market should enable the organization to get the required number of suitable candidates with ease.

c. Adherence to laws and regulations

Complying with the prevailing laws and legislation of the country of operation is another objective of the compensation administration system. A sound compensation system would normally consider the challenges and constraints imposed by the government on compensation management.

d. Controlling the HR cost

Any compensation administration aims at keeping the HR cost well handled. Certainly, a good compensation policy would neither overpay nor underpay its employees. In other words, an effective compensation policy would reasonably satisfy the divergent needs and aspirations of both the employees and the employers.

e. Improving industrial relations

An effective compensation administration scheme aims to improve the labor-management relations in the firm. In many organizations, compensation is the major source of conflict between the management and the labor unions. However, a precisely-designed and transparent

compensation plan would enable the organization to prove its interest in the well-being of its employees. It, thus, helps the firm in improving the employer-employee relations.

5 Compensation manager duties & responsibilities

The job generally requires the power to perform these subsequent duties:

- 1) Develop and evolve an organization's pay scale and structure
- 2) Determine competitive wage rates and alter as necessary
- 3) Ensure that the company's pay scale complies with changing state and federal laws and regulations
- 4) Oversee the distribution of salaries to employees
- 5) Work with managers to assist developing promotion and retention strategies for existing employees
- 6) Develop a department budget and keep operations within the determined budget
- 7) Control compensation and payroll support team

6 Challenges associated with compensation management

HR managers encounter many challenges while try to design fair and competitive programs that reward and recognize well-performing employees and attract and retain the people of an organization that needs to succeed.

6.1 External competitiveness

As HR managers aim to establish competitive pay rates so an organization can attract and retain the right talent among its employees, they compare their compensation rates to the rates in published surveys to gauge their competitiveness. However, many subtle differences complicate the process. For example, when you're about to hire the head of software development, the competition for talent would be a different set of companies than when you're hiring an administrative assistant.

6.2 Internal equity

Legal considerations are also on the board of tasks of HR managers who elaborate compensation programs. However, being competitive with the external market is indispensable,

compensation must be equitable internally within the organization. Companies generally aim to reward high performers with more money and try to create pay differences between employees in the same job to recognize outstanding performance. However, HRM take in consideration that it's against the law to pay employees who perform the same work differently only because the employee is female, or over 40.

6.3 Executive compensation

Executive compensation is a challenge to all companies that they spend significant time studying, especially public companies that must to publicly disclose the compensation details for the five employees that has the highest payments in the company. Most of public companies in Algeria have been criticized by the media, by shareholders and by the government for creating compensation plans with large rewards for their executives. The compensation management has to ensure a balance between designing executive compensation plans that attract and retain top executives and that must be acceptable to the public.

6.4 Recognizing and rewarding employees

HR managers elaborate programs to motivate employees to perform at their best and that recognize and reward employees for their contributions in a way that's it is afforded by the company. However, ultimately, it is the supervisors and managers in an organization who recognize and reward employees, and compensation staff must train and educate other managers in the company on how to use rewards and recognition to make employees feel appreciated by the company and happy in their occupations.

7 The difference between wages and salary

Salary refers to how much the employer pays an employee every year. Salary earners rarely have to respect a restrict time clock, or keep account of their hours, because they are paid for their performance rather than by time spent at work. Salaried workers are likely to have paid sick days and paid vacations, and they do not get deduction for being late or leaving early from time to time.

“Employees earn salaries for performing their jobs, regardless of the actual number of hours worked. Companies generally measure salary on an annual basis.”¹

Wage is defined as a compensation that is provided on the basis of the amount of work done and the hours spent doing it. Wages are variable and do change with day to day functioning of an employee. Wages are provided to employees who are engaged in manufacturing processes and get the compensation on a daily basis.

“A wage is a basic compensation for labour; and the compensation for labour per period of time is referred to as the wage rate. The two terms are sometimes used interchangeably. Other frequently used terms for wages are payment per unit of time (typically an hour) or earnings, which represent payment accrued over a time period (week, month, or year).”²

¹ MONDY, (R), MARTOCCHIO, (J), *“Human Resource Management”*, 14th edition, Pearson, Boston, 2016, p. 249.

² BHATTACHARYYA, (K), *“Compensation Management”*, op. cit. p. 3.

Section 2: Compensation system structure

1 Components of a compensation system:

According to (HR-Guide,2015)¹. Compensation will be perceived by employees as fair if based on systematic components. Various compensation systems have developed to determine the value of positions. These systems utilize many similar components including job descriptions, salary ranges/structures, and written procedures. The components of a compensation system include:

1.1 Job descriptions

A critical component of both compensation and selection systems, job descriptions define in writing the responsibilities, requirements, functions, duties, location, environment, conditions, and other aspects of jobs. Descriptions may be developed for jobs individually or for entire job families.

1.2 Job analysis

The process of analyzing jobs from which job descriptions are developed. Job analysis techniques include the use of interviews, questionnaires, and observation.

1.3 Job evaluation

A system for comparing jobs for the purpose of determining appropriate compensation levels for individual jobs or job elements. There are four main techniques: Ranking, Classification, Factor Comparison, and Point Method.

1.4 Pay structures

Useful for standardizing compensation practices. Most pay structures include several grades with each grade containing a minimum salary/wage and either step increments or grade range. Step increments are common with union positions where the pay for each job is pre-determined through collective bargaining.

¹ HR-Guide, LLC, (2015), www.hr-guide.com/Compensation/Compensation_Overview (consulted on 15/07/2020 at 2:34pm)

1.5 Salary surveys

Collections of salary and market data. May include average salaries, inflation indicators, cost of living indicators, salary budget averages. Companies may purchase results of surveys conducted by survey vendors or may conduct their own salary surveys. When purchasing the results of salary surveys conducted by other vendors, note that surveys may be conducted within a specific industry or across industries as well as within one geographical region or across different geographical regions. Know which industry or geographic location the salary results pertain to before comparing the results to your company.

1.6 Policies and regulations

Compensation is supposed to be as fair if it is contained the system of components to develop and maintain internal and external equity in organization.

2 Forms of compensation

2.1 Basic wages/salaries

According to Mathis¹, the basic compensation that an employee gets is called base pay, organizations often provide basic compensation as either an hourly wage or as a salary. These base-payment categories are identified due to the way pay is determined and the nature of the occupations.

2.2 Dearness allowance

Paying dearness allowances helps employees and workers face rising prices or rising prices of the goods and services they consume. The impact of rising prices has an important impact on the living conditions of labor. Rising prices reduce the compensation to nothing, while the value of money decreases according to the level of inflation. The dearness allowance paid may be a fixed percentage of the basic salary, allowing employees to face rising prices.

¹ MATHIS, (R), JACKSON, (H), VALENTINE, (R), “*Human resource management*”, 15th edition, Cengage Learning, Boston, 2017, p. 405.

2.3 Incentives

Incentives are paid in addition to wages and salaries and are also called payments by results. Incentives depend upon productivity, sales, profit, or cost reduction efforts.

There are two types of incentives:

- (a) Individual incentive schemes, and
- (b) Group incentive programs.

Agreeing to Mondy¹, incentive pay rewards employees for partially or completely attaining a predetermined work objective. Incentive or variable pay is defined as compensation (other than base wages or salaries) that fluctuates according to employees' attainment of some standard, such as a pre-established formula, individual or group goals, or company earnings.

2.4 Bonus

The bonus can be paid in different ways. It can be fixed percentage on the basic wage paid annually or in proportion to the profitability. The Government also prescribes a minimum statutory bonus for all employees and workers. There is also a bonus plan which compensates the managers and employees based on the sales revenue or profit margin achieved.

*“Bonus is a form of compensation that may be conditioned upon individual, group, or corporate performance. For most executives, bonus is both based upon group performance and is determined as part of a plan covering a larger group of employees. Thus, their individual employment contract may only specify their participation in the plan or a minimum bonus they are guaranteed.”*²

2.5 Commissions

Commission to managers and employees may be based on the sales revenue or profits of the company. It is always a fixed percentage on the objective achieved. For taxation purposes, commission is again a taxable component of compensation. The payment of commission as a

¹ MONDY, (R), MARTOCCHIO, (J), “Human Resource Management”, op. cit., p. 253.

² BALSAM, (S), “An Introduction to Executive Compensation”, Elsevier, Burlington, 2002, p.36.

component of commission is practiced widely on target-based sales. Depending on the targets achieved, companies may pay a commission on a monthly or periodical basis.

2.6 Mixed plans

Employees are paid by other combinations of pay as well as commissions. This plan is called combination or mixed plan. Apart from the salaries paid, the employees may be eligible for a fixed percentage of commission upon achievement of fixed target of sales or profits or Performance objectives. In the present, most companies are following this practice. This is also called as a variable component of compensation.

2.7 Piece rate wages

Piece rate wages are most known in manufacturing companies. The workers are paid wages for each of the quantity produced by them. The whole earnings of the labor would be equivalent to number of goods made by them. Piece rate wages increase productivity and is an absolute measurement of productivity to wage structure. The fairness of compensation is totally based on the productivity and not by other qualitative factors.

2.8 Fringe benefits

Fringe benefits may be defined as wide range of benefits and services that employees receive as an integral part of their total compensation package. They are based on critical job factors and performance. Fringe benefits constitute indirect compensation as they are usually extended as a condition of employment and not directly related to performance of concerned employee. Some fringe benefits are given universally to all employees of a company while others may be offered only to those at executive levels.

According to (Alpert, 1987)¹, these benefits are often not subject to taxation and are therefore cheaper to gain through an employer than through the market.

¹ ALPERT, (W), “*An Analysis of Fringe Benefits Using Time-series Data*”, N°19, AppliedEconomics, 1987, p. 3.

2.9 Profit sharing

Profit-sharing is regarded as a stepping stone to industrial democracy. *“Profit-sharing can be understood as any rewards system, which directly links profits of a company in a particular period with compensation of employees in that period”*¹.

The main benefits of profit sharing for employers and employees alike stem from employee motivation. Incentivizing employees helps them increase their effort, it results in higher levels of employee productivity and satisfaction.

2.10 Non-monetary benefits

These benefits give psychological satisfaction to employees even when financial benefit is not available. Such benefits are:

- (a) Recognition of merit through certificate, etc.
- (b) Offering challenging job responsibilities,
- (c) Promoting growth prospects,
- (d) Comfortable working conditions,
- (e) Competent supervision, and
- (f) Job sharing and flexi-time.

3 Types of compensation packages

Typically, a company provides compensation to its employees in two forms. These are: direct and indirect compensation. Depending on its size and the compensation its policy, a company may determine the compensation packages for various categories of jobs. *“Redesigning a compensation structure is an intricate task. Finding a balance between direct monetary compensation and indirect benefits and deciding on what benefits, if any, should be included in the package is a challenge.”*² Small organizations usually limit the number of components in a compensation

¹ KRUSE, (L), *“Profit sharing and productivity: Microeconomic evidence from the United States”*, Economic Journal, N°102, 1992, P:2, <http://dx.doi.org/10.2307/2234849> (consulted on 10/07/2020 at 12:07am)

² TARAS, (V), *“Direct Versus Indirect Compensation: Balancing Value and Cost in Total Compensation”*, Compensation and Benefits Review, N°44, 2012, pp. 24-25.

package and also give more importance to direct cash compensations like basic pay and variable pay. In general, large organizations may include some components in a compensation package. HR Managers may also offer different kinds of compensation packages for different categories of employees.

3.1 Direct /base compensation

Direct compensation usually includes the amount payable to the employees as direct cash rewards for the work extracted from them. This probably includes any type of monetary benefit payable to the employee at periodic intervals. The basic pay and variable pay are the important components of direct compensation. It includes basic salary, house rent allowance, conveyance, leave travel allowance, medical reimbursements, special allowances, bonus, etc. They are given at a regular interval at a definite time. *“Companies choose one additional or combination of direct financial compensation components for employee groups based on how best to direct employee job performance (for example, sales employees versus clerical employees).”*¹

It includes:

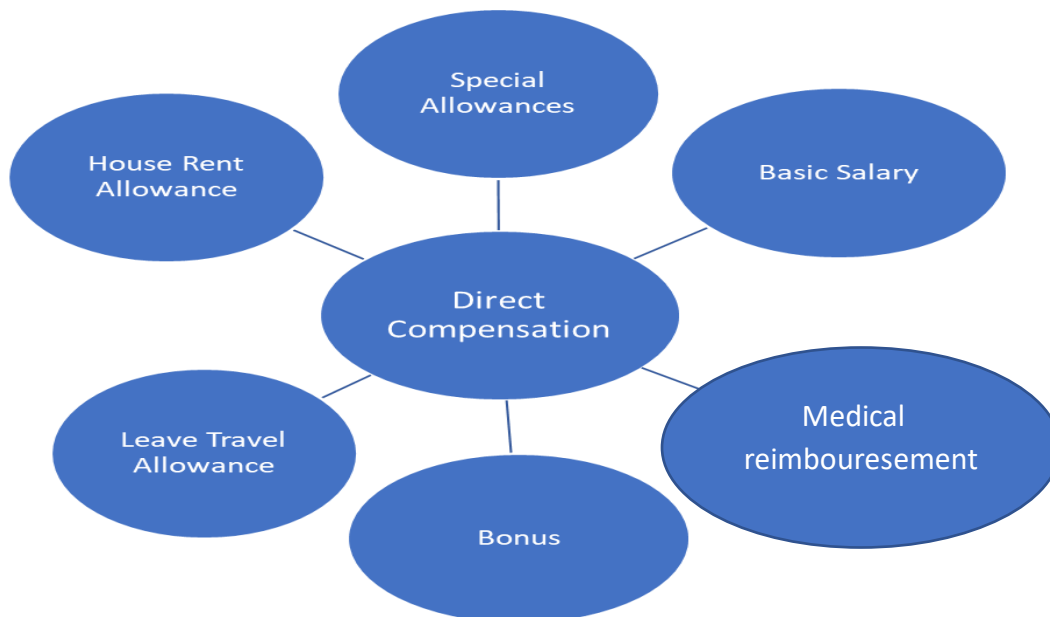
- a. Basic Salary: it is the amount received by the employee in lieu of the work done by (him/her) for a certain period say a day, a week, a month, etc. It is the money an employee receives from (his/her) employer by rendering (his/her) services.
- b. House Rent Allowance: organizations either provide accommodations to its employees who are from different place or country or they provide house rent allowances to its employees. This is done to provide them social security and motivate them to work.
- c. Conveyance: Companies provide for cab facilities to their employees. Few organizations also provide vehicles and petrol allowances to their employees to motivate them.
- d. Leave Travel Allowance: These allowances are provided to attract the best talent in the organization. The employees are given allowances to visit any place they wish with their families.
- e. Medical Reimbursement: Companies also look after the health conditions of their employees. The employees are provided with medical-claims for them and their family members. These medical-claims include health-insurances and treatment bills reimbursements.

¹ MONDY, (R), MARTOCCHIO, (J), *“Human Resource Management”*, op. cit., P: 249.

f. Bonus: is paid to the employees during festive occasions to motivate them and provide them the social security. The bonus amount usually amounts to one month's salary of the employee.

g. Special Allowance: Special allowances such as overtime, mobile allowances, meals, commissions, travel expenses, reduced interest loans; insurance, club memberships etc. are provided to employees to provide them social security and motivate them which improve the organizational productivity.

Figure n°I.2: Direct compensation components



Source: adapted from web

3.2 Indirect compensation

According to David¹, indirect compensation includes the benefits enjoyed by the employees but paid by the organization. Usually, indirect compensations are available to all the employees irrespective of their performance in the job. Mostly, the decisions relating to indirect compensation are influenced by the employees' length of service and eligibility. Besides, indirect compensation decisions are normally guided by the policies and benefits offered by similar organizations.

¹ BALDWIN, (D) "*The Library Compensation Handbook: A Guide for Administrators, Librarians, and Staff*" Libraries Unlimited, Westport, CT, 2003, p. 174.

Indirect compensation refers to non-monetary benefits offered and provided to employees in lieu of the services provided by them to the organization. They include Leave Policy, Overtime Policy, Car policy, Hospitalization, Insurance, Leave travel Assistance Limits, Retirement Benefits, Holiday Homes.

1) Leave policy

It is the right of an employee to get a number of leave while working with the organization. The organizations provide for paid leaves such as, casual leaves, medical leaves (sick leave), and maternity leaves, statutory pay, etc.

2) Overtime policy

Employees should be provided with the adequate allowances and facilities during their overtime, if they happened to do so, such as transport facilities, overtime pay, etc.

3) Insurance

Organizations also provide for accidental insurance and life insurance for employees. This gives them the emotional security and they feel themselves valued in the organization.

4) Leave travel

The employees are contributed with leaves and travel allowances to go for holiday with their families. Some organizations arrange for a tour for the employees of the organization. This is usually done to make the employees stress free.

5) Retirement benefits

Organizations contribute for pension plans and other benefits for their employees which benefits them after they retire from the organization at the prescribed age.

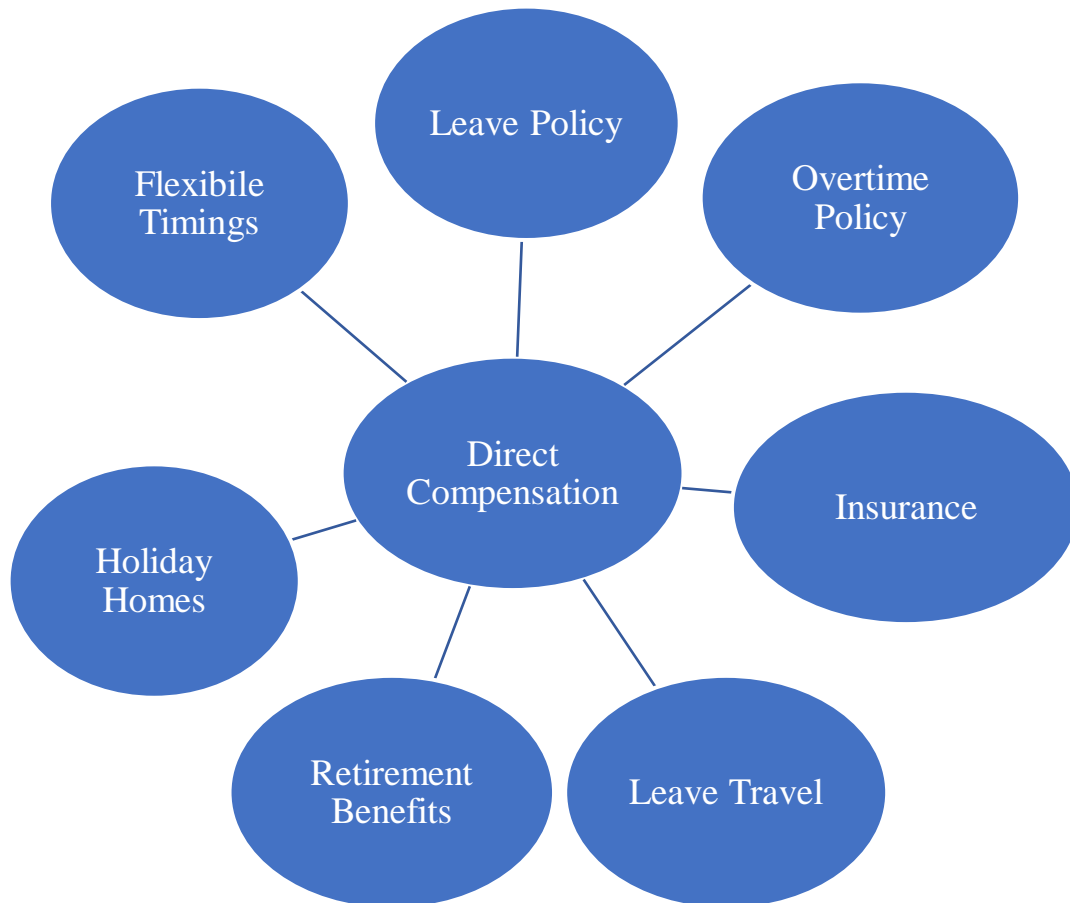
6) Holiday homes

Organizations provide for holiday homes and guest house for their employees at different locations. These holiday homes are usually located in hill station and other most wanted holiday spots. The organizations make sure that the employees do not face any kind of difficulties during their stay in the guest house.

7) Flexible timings

Organizations provide for flexible timings to the employees who cannot come to work during normal shifts due to their personal problems and valid reasons.

Figure n°I.3: Indirect compensation components



Source: adapted

4 Factors influencing compensation

managers decide what is the right compensation after taking into account the following points. The Job description of the employee that clarifies how much should be paid and the parts of the compensation package. The Job description is made up of responsibilities, functions, duties, location of the job and other factors like environment etc. These parts of the job description are taken individually to arrive at the basic compensation besides other components like benefits, variable pay and bonus. It has the need to be remembered that the HRA or the House Rental Allowance is determined by a combination of factors that includes the geographical location of the

employee and the governmental policies along with the grade of the employee. Therefore, it is more likely to find a minimum level of HRA that is common to all the employees and which enlarges in proportion to the factors mentioned above.

The Job evaluation is a system used to compare the appropriate salary levels for similar jobs in the industry and within the company to obtain the net worth of employees. Factors such as the company's experience, qualifications, expertise, and needs determine how much employers are willing to pay for their employees. Employers usually compare jobs in the entire industry, taking into account the specific needs of the company, and in this regard obtain salary surveys and market research companies' research results on how many different companies in the company, so as to obtain specific compensation. The same industry is paying for similar roles.

4.1 External factors

The external factors remain outside the purview of a company and yet has an influence on its compensation administration. As a matter of fact, most of the factors influencing compensation management are external.

A. Labor market conditions

According to Durai¹. The difference between the demand for specific categories of employees and their supply in the labor market influences the compensation administration decisively. When the demand for labor exceeds its supply, there would be a labor shortage. In such a situation, the organizations are forced to offer higher rates of compensation to get the required number of suitable employees. This is because the people possessing the required skills would obviously demand more compensation for their services. In contrast, it would be sufficient to offer a minimum amount of compensation to employees possessing skills which are abundantly available in the labor market.

¹ DURAI, (P), "*Human Resource Management : For VTU*", op. cit., p. 251.

B. Cost of living

The cost of living index has also an influence the employee compensation, in an approximate manner, that with the increase or the decrease in the general price level and the consumer price index, the wage or salary is to be changed accordingly.

“If comparing total compensation is difficult, comparing living costs and standards across borders is even more complex.”¹

C. Collective bargaining

Powerful labor unions are capable of influencing the compensation plan of the company. The labor unions are generally formed in the case, where the demand is more, and the labor supply is less or is involved in dangerous work and, therefore, demands more money for endangering their lives. The non-unionized have more ability of respecting the fixation of their compensation plan.

“Collective bargaining aims at ensuring a fair sharing of the benefits of training, technology and productive growth (inclusive function), at maintaining social peace (conflict management function), and at guaranteeing adequate conditions of employment (protective function)”²

D. Labor laws

There are several laws passed by the Government to protect the employees from the exploitation of employers.

E. Comparative pay scales

Companies should make in consideration the wages salaries by similar companies in the industry for similar jobs. When a company pays less than the prevailing salaries to its employees, its workforce strength would reduce due to the high labor turnover. In contrast, when it pays more than the prevailing salaries, it would be able to attract and retain the best talents. Thus, the prevailing salaries have a critical influence on the compensation policy of the organizations.

¹ MIKOVICH, (G), NEWMAN, (J), “*Compensation*”, op. cit., p. 252.

² OECD , *Negotiating Our Way Up: Collective Bargaining in a Changing World of Work*, OECD Publishing, Paris,(2019), <https://doi.org/10.1787/1fd2da34-en>. p. 26 (consulted on 17/07/2020 at 10:23 am)

F. Technology

The level and sophistication of the technology available in the industry can also have an influence on the compensation administration. When the manually performed occupations are easily and effectively replaceable with the existing technology (manufacturing machines), the company may not be willing to offer higher salaries for such jobs. When there is a skill deficit in such jobs, the company would prefer automation rather than paying higher salaries to the job holders. In fact, companies may have to offer higher salaries to the high-tech jobs which require multi-skills and technological abilities.

G. Geographical location

The company's geographical location is also a major factor influencing compensation management. When the company is located in cities or urban areas, it is likely having to hire employees for higher salaries due to the high cost of living prevailing in these areas.

H. Globalization

Several multinational companies had been brought in to the country by globalization. The compensation policies of these globalized companies have begun to make an influence to the HR and compensation practices of the Algerian companies. As a result, domestic firms are now offering several innovative compensation schemes comparing with foreign companies to attract and retain the efficient employees (e.g. of SONATRACK and AIR ALGERIE).

4.2 Internal factors

The internal factors also have an influence on the compensation management are as well significant in number as external factors.

4.2.1 Human resource policies and strategies

The company's policies and strategy influence as well the compensation management. In case the company wants the skilled workers, so as to surpass the competitor, will offer more as compared to others. Therefore, if the company wants to go well ordered and is managing with the available employees, more likely to give relatively less pay or equivalent to what others are paying.

4.2.2 Job Evaluation and performance appraisal

Compensation management is influenced by performance evaluation results as well, job evaluation report, job description and job specification statements. Therefore, the job evaluation helps to achieve a satisfactory differential pay for the different jobs. The performance Appraisal helps an employee to gain extra pay on the basis of his performance.

4.2.3 Capacity of the company to pay

Companies may have the inclination to pay more to their employees but they may not have the financial ability to do so. Therefore, the financial strength of the company is one of the critical factors that determine compensation management. In fact, the prosperous or big companies have the potential to pay higher as compared to its competitor firms whereas the smaller ones can afford to maintain their pay plan up to the level of its competitors or sometimes even below the industry standards.

4.2.4 The company's employees

The employee or a worker himself have the influence on the compensation in the following ways.

- Performance: The better performance gets more pay to the employee, and thus with the increased pay, they get motivated and perform their job more efficiently.
- Experience: As the employee consecrate his years in the organization, he is likely expecting to get an increased pay for his experience.
- Potential: The potential is valueless if it gets unobserved. Therefore, companies have to pay extra compensation to the employees having better potential as compared to others.

Section 3: Compensate for performance and financial incentives

1 Employee performance

1.1 Definition of Employee Performance

Liao¹ defines job performance as the standard for advancements, redundancy, rewards, punishments, reviews and salary changes. It also satisfies the needs for employees to realize themselves. Ahmad and Khurram², also argue that employee performance symbolizes the broad belief of the personnel about their behavior and contributions towards the achievement of the organization.

Compensation is one of the strategies used in HR management for attracting and retaining well-performing employees as well as facilitating the improvement of their performance through motivation. Employees look about employment to earn a salary to satisfy their personnel needs. Alternatively, employers pay for their services as well to increase performance. It is fair and just to compensate employees for their rendered efforts for the company. In fact, employees believe that their performance is enormously influenced according the nature of the work, compensation strategy, and also the promotion opportunities among the companies. Therefore, companies should concentrate on their fair promotions and compensations strategies as fair promotion and compensations can motivate the employees to perform consistently.

*“The prevalent view on the part of today’s executives and human resource professionals is that individual performance management is not an appraisal event, but rather an ongoing process involving performance planning, feedback, evaluation, and development. The emphasis is now much more on providing employees with feedback on their success in achieving specific performance goals and expectations, as well as on their ability to develop core competencies and skills.”*³

¹ LIAO, (C) W., LU, (Y), HUANG, (K), CHIANG, (L), “Work values, work attitude and job performance of green energy industry employees in Taiwan”, African Journal of Business Management, N°15, 2012, pp. 5299-5318.

² AHMAD, (S), SHAHZAD, (K), “HRM and employee performance: A case of university teachers of Azad Jammu and Kashmir (AJK) in Pakistan”, African Journal of Business Management, 2011, N°13, p. 5249.

³ CHINGOS, (P), “Paying for Performance: A Guide to Compensation Management”, John Wiley & Sons, New York, 2002, p. 48.

1.2 Compensation's role in motivating employees

Frederick Taylor¹ popularized using financial incentives (financial rewards) paid to workers whose production gets above the predetermined standard. In the late 1800s. As a supervisor at the Midvale Steel Company, Taylor was concerned with what he termed “systematic soldiering”, the tendency of employees to produce at the minimum possible level. Some of the workers had the capacity of returning home and do a house-work after a 12-hour working at a factory. Taylor discovered that if he could put this energy at work, Midvale could achieve a huge productivity rate and gains. “*Productivity is the ratio of outputs (goods and services) divided by the inputs (resources such as labor and capital)*”.² In pursuing that objective, Taylor turned to financial incentives. In that period, primitive incentive plans were in use, but were generally ineffective (because employers changed incentive rates). Taylor made three contributions. He observed the need for formulating a “fair day’s work,” namely precise output standards for each job. He led the scientific management movement, which pointed up improving work with observation and analysis. And he popularized using incentive pay to compensate employees who produced over standard.

1.3 Incentive compensation terminology

“*Managers often use two terms synonymously with incentive plans.*”³ Usually, all incentive plans are pay-for-performance plans. They tie employees’ compensation to the employees’ performance. Variable compensation is more specific: It is usually an incentive plan that attach a group’s compensation to some measure of the company’s overall profitability, Profit-sharing plans (as mentioned above) are one example. Thus, “*confusing as it may be, some experts use the term variable pay to include incentive plans for individual employees.*”⁴

¹ <https://pmworldlibrary.net/wp-content/uploads/2019/09/pmwj85-Sep2019-Hu-history-of-evm-through-incentive-plans.pdf> (accessed on 18/07/2020)

² HEIZER, (J), RENDER, (B), “*Operations Management*”, Pearson, Upper Saddle River, NJ, 2001, p. 15.

³ DUCHARME, (M), PODOLSKY, (M), “*Variable Pay: Its Impact on Motivation and Organisation Performance*,” International Journal of Human Resources Development and Management, N°6, 2006, p. 68.

⁴ ABOSCH, (K), “*Variable Pay: Do We Have the Basics in Place?*”, *Compensation & Benefits Review*, 1998, pp. 2–22.

1.4 Strategy, performance, and incentive compensation

In any event, incentive compensation tying workers' compensation to their performance is widely approved. The problem is that linking compensation to performance is easier said than done. *“Employees don't see a strong connection between pay and performance, and their performance is not particularly influenced by the company's incentive plan,”*¹. According to Kathy² it is equally problematical is the fact that some incentives incentivize the wrong behavior. Therefore, incentivizing “number of items” in a store might produce high performance (in numbers of items sold) but low per-item profit, inadvertently undermining its strategy to boost the store owner's profits.

Agreeing with Ted³, another enormous reason for incentive plans' often-dismal results is the fact that incentives that may motivate some of the people won't motivate others. Compensation experts thus argue that managers should understand the motivational bases of incentive plans.

2 Motivation and incentives

Several motivation theories have particular relevance to designing incentive plans.

2.1 Motivators and Frederick Herzberg

According Frederick Herzberg⁴ theory, that the best way to motivate an employee is to organize the job so that performing it provides the challenge and recognition we all have the need to satisfy “higher-level” needs for things like accomplishment and recognition. This type of needs is insatiable, says Herzberg, so challenging work provides a sort of built-in motivation. Doing things to satisfy an employee's “lower-level” needs for things such as better pay and better working conditions just keeps the worker from becoming dissatisfied.

Herzberg⁵ mentions, the factors (“hygienes”) that satisfy lower-level needs are distinguished from those (“motivators”) that satisfy or partially satisfy higher-level needs. If hygiene factors

¹ “Pay for Performance Plans' Impact Uncertain: Study,” Modern Healthcare, May 24, 2004, P: 34.

² CHU, (K), *“Employers See Lackluster Results Linking Salary to Performance,”* Wall Street Journal, June 15, 2004, p. D2.

³ TURNASELLA, (T), *“Pay and Personality,”* Compensation & Benefits Review, March/April, 2002, PP: 45–59.

⁴ BEVINS, (T), *“Herzberg's Two Factor Theory of Motivation: A Generational Study”*, Honours Theses, N°35, 2018 https://encompass.eku.edu/honors_theses/530 pp. 4-12. (accessed on 18/07/2020).

⁵ Ibid

(factors outside the job itself, such as working conditions, salary, and incentive pay) are inadequate, employees become dissatisfied. However, adding more of these hygienes (like incentives) to the job (supplying what Herzberg calls “extrinsic motivation”) is an inferior way to try to motivate someone, because lower-level needs are quickly satisfied. Inevitably the person says, in effect, “I want another raise.” Instead of relying on hygienes, says Herzberg, managers interested in creating a self-motivated workforce should emphasize “job content” or motivator factors. Managers do this by enriching workers’ jobs so that the jobs are more challenging, and by providing feedback and recognition by making doing the job intrinsically motivating, in other words. In organizational psychology, intrinsic motivation is motivation that derives from the pleasure someone gets from doing the job or task. It comes from “within” the person, rather than from externally, such as from a financial incentive plan. Intrinsic motivation means that just doing the task provides the motivation. Herzberg makes the point that relying exclusively on financial incentives is risky. The employer should also provide the recognition and challenging work that most people desire.

2.2 Demotivators and Edward Deci

According to the Psychologist Edward Deci¹’s, his work highlights another potential drawback of excessive reliance on external rewards: they can be counterproductive. He found that external rewards sometimes affect people’s internal motivations. Thus, this can be pointed out: Be cautious when designing compensation for motivated employees, lest you inadvertently degrade and reduce their desire to complete work out of a sense of responsibility.

2.3 Behavior modification/reinforcement and B. F. Skinner

*“Using incentives also assumes the manager understands how consequences affect behavior.”*² Psychologist B. F. Skinner’s researches are useful here. HR managers apply Skinner’s principles by using behavior modification. Behavior modification indicate changing behavior through rewards or punishments that are based on performance. For human resource managers, behavior modification concludes into two principles. First, the behavior that appears to conduct a positive consequence (reward) is likely to be repeated, although behavior that gives the impression

¹ DECI, (E), *“Intrinsic Motivation”*, Plenum, New York, 1975, pp. 26-31.

² DANIELS, (A), *“The Leader’s Role in Pay Systems and Organizational Performance,”* Compensation & Benefits Review, May/June, 2006, pp. 58–60.

to conduct a negative consequence (punishment) is likely not to be repeated, and secondly, that managers can hence push someone to adjust (his / her) behavior by offering them the correctly arranged rewards (or punishment).

3 Individual employee incentive and recognition programs

Some incentive plans are distinctly suited for application with individual employees. These incentives are:

3.1 Piecework

Piecework is one of the oldest incentive plans and it remains the most commonly used one, especially in the manufacturing companies. Gains are related directly to what the worker produces, the employee is paid a piece rate for each item (he / she) makes.

Designing a workable piece rate plan requires both job evaluation and industrial engineering. Job evaluation permit you to develop an hourly wage rate to the job in question. But the inevitable challenge in piece rate planning is the production limits, and this standard is usually developed by industrial engineers. The engineers state production standards in terms of a standard number of minutes per item or a standard number of items per hour.

3.1.1 Advantages and drawbacks of piecework incentive plans

Piecework plans have several advantages. They are easy to calculate and easy for employees to understand. Piecework plans are fair in principle, and their incentive value is strong because they directly link compensation to performance.

Piecework also has drawbacks. The main reason is its unpleasant reputation. This is as the result of some employers are used to arbitrarily raise production standards whenever they find that workers' wages are too excessive. A more precise drawback is that since piece rate wages are priced by piece or item, in workers' minds, the production standard (number of pieces/ hour) is inseparable from the money earned.

“Piecework systems thus risk engendering rigidity. When the employer tries to revise production standards, resistance ensues.”¹ workers become obsessed with producing the required number of items. They may become less concentrated on the quality and may resist changing jobs

¹ BELCHER, (D), “*Compensation Administration*”, Prentice Hall, Englewood Cliffs, NJ, 1973, p. 314.

(since doing so could decrease productivity). *“Attempts to introduce new processes may more likely fail, insofar as they require adjusting engineered standards. Equipment maintenance tends to decline as employees focus on maximizing quantity.”*¹

3.2 Merit pay as an incentive

Merit pay or a merit raise is a salary increase the company awards to an employee based on his individual performance. There is a difference between a bonus and a merit pay, the bonus is usually becoming part of the employee’s base salary, whereas bonuses are generally one-time payments. Although the term merit pay may apply to the incentive raises provided to an employee, the term is more frequently used for professional, office, and clerical employees.

There is a debate in this subject particularly. Advocates argue that awarding pay raises to all employees (without paying attention to the individual merit) may lower from performance by showing employees they’ll be compensated regardless on their performance level.

*“Detractors present good reasons why merit pay can backfire. Most notably, since many appraisals are unfair, so too are the merit decisions you base them on.”*² The evidence, inclines to support the use of merit pay. the study concentrated on 218 workers in a nuclear waste base. The researchers found a *“very modest relationship between merit pay increase and performance rating.”*³ *“Research into tying merit pay increases to teachers’ or faculty members’ research and/or teaching performance suggest that merit pay is more clearly linked with research productivity than with teaching effectiveness.”*⁴

When the employees become low-working or working at the minimum level, the solution is not to banish merit raises, but to improve them. This starts with designing effective evaluation methods and to make sure that HR managers do in fact link merit pay awards to employee's performance.

¹ WILSON, (T), *“Is it time to eliminate the piece rate incentive system?”* Compensation and Benefits Review, March–April, 1992, pp. 43–49.

² *“Bias Creeps into Bonus Process, MIT Study Finds,”* Workforce Management, September 20, 2008, p. 8.

³ RISHER, (H), *“Add Merit Pay for Performance,”* Compensation and Benefits Review, N°40, 2008, pp. 22–29.

⁴ SANGHEE (P), STURMAN, (M), *“How and What You Pay Matters: The Relative Effectiveness of Merit Pay, Bonuses and Long-term Incentives on Future Job Performance,”* Compensation & Benefits Review, N°44, 2012, pp. 80–85.

3.3 Merit pay options

Two adaptations of merit pay plans are most familiar to HR managers. One awards merit raises in one-time a year and does not make the raise part of the employee's salary (in effect, short-term bonuses for lower-level workers). Traditional merit raises are cumulative, but these one-time merit raises are not. This results two potential benefits. First, the merit raise is not included into the employee's salary, so you do not need to pay it year after year. The second one attaches merit awards to both individual and organizational performance.

3.4 Nonfinancial and recognition-based awards

According to Peterson and Luthans¹, Employers usually supplement financial rewards with various non-financial and recognition-based rewards. The term "recognized plan" usually refers to a formal plan, such as a monthly employee plan. Social recognition programs usually refer to informal communication between managers and employees, such as praise, recognition or appreciation for outstanding work. Performance feedbacks significate providing a quantitative or qualitative information about work performance in order to change or maintain performance. A graph that shows employees their performance trends is an example.

4 Other types of incentives:

4.1 Incentives for professional employees

*“Professional employees are those whose work involves the application of learned knowledge to the solution of the employer's problems, such as lawyers and engineers.”*²

According to a study by Frank³. Making incentive compensation decisions for professional employees is challenging. On the one hand, companies usually pay high salaries to professionals anyway. Alternatively, they have been driven by the desire to produce high-quality works. However, it is unrealistic to assume that people like Google engineers work only to satisfy their

¹ PETERSON, (J), LUTHANS, (F), *“The impact of financial and nonfinancial incentives on business-unit outcomes over time”*, Journal of Applied Psychology, N°91, 2006, pp. 156–165.

² DESSLER, (G), *“Human Resource Management”*, op. cit., p. 391.

³ GIANCOLA, (F), *“Should HR Professionals Devote More Time to Intrinsic Rewards?”* Compensation & Benefits Review, N°46, 2014, pp. 25–31.

profession. Therefore, few companies will work harder to maintain competitive incentives for professionals. For example, it is reported that Google has given higher rewards to engineers working on important projects. Those who choose the inherent motivation to engage in more theoretical long-term projects will be rewarded.

4.2 Incentives for salespeople

Most companies pay salespeople a combination of salary and commissions, most likely with a sizable salary component comparing to commissions. An incentive mix of approximately 70% base salary and 30% incentive seems logical, this absorbs the salesman's risk of not earning anything, while controlling the risk that commissions may get out of hand from the company's perspective.

According to Pankaj¹ Combination plans have advantages and disadvantages. They provide salespeople a platform to their earnings, the company precise what services the salary component is for, and still provide an incentive for more performance.

4.3 Incentives for managers and executives

Incentive-based pay for executives and senior management has become almost indispensable in the last 20 years. The transformation in developed countries has been largely driven by the intention of aligning the interests of management and shareholders with assuming that managers will perform better if they are well incentivized. The financial crisis and sub recession in many developed countries added other criteria to the debate, this particular crisis has resulted in an intense need of executive compensation.

According to Barbra² , managers play a crucial role in divisional and company-wide profitability, and employers therefore put considerable thought into how to reward them. Most managers get short-term and long-term incentives in addition to their salaries.

“Executive performance-based incentives tie executive compensation to the long-term growth and success of the organization. However, whether these incentives really emphasize the

¹ MADHANI, (P), “*Realigning Fixed and Variable Pay in Sales Organizations: An Organizational Lifestyle Approach*,” Compensation & Benefits Review, N°42, 2010, pp. 488–498.

² KIVIAT, (B), “*Everyone into the Bonus Pool*,” Time 162, N°24 ,2003, p. A5.

long term or merely represent a series of short-term rewards is controversial. Short-term rewards based on quarterly or annual performance may not result in the kind of long-run-oriented decisions necessary for the company to perform well over many years. As would be expected, the total amount of pay for-performance incentives varies by management level, with CEOs receiving significantly more than subsidiary or other senior managers.”¹

Conclusion of the chapter one:

This chapter constitutes a concise presentation of the most important concepts in this study and ends with a discussion of two perspectives, compensation management and its way of improving employee's performance. These concepts and theoretical perspectives are exceedingly important in light of the expanding horizons of the today's human resource management, as we already see compensation is a word with many shades of meaning, and it does not just stop at the classical meaning of payment to employees in exchange of their time spent at the company. It also encompasses different ways of managing, rewarding and motivating them.

It is known that compensation management is a double-edged sword which can have a positive or negative impact on the company's performance depending on the way of applying it. Positive effects are related with increased performance by the well-designed compensation system. Negative effects are related to the inadequate compensation only, most of today's companies are experiencing a concentration on how they compensate their human capital, and how to get the best of them. The aim of the two previous sections, is to understand the structure of a compensation system, and to find out the relation between compensation and performance while addressing the root causes of employee's motivation, and grasp the characteristics, the components, and the influence of compensation management.

In the next chapter, we will complete the main stones to see the big picture, starting from performance management, to the most common evaluation and appraisal models, and finishing with the challenges of the performance management.

¹ MATHIS, (R)., JACKSON, (J), VALENTINE, (H), “*Human resource management*” , op. cit., p. 415.

Chapter 2: Performance management and evaluation

Chapter 2: Performance management and evaluation.

Introduction of the chapter two:

Performance management includes many roles. The HR manager must be a communicator, a leader, a role model, and a collaborator. Each member of a work team should understand exactly what their responsibilities and expectations are, and as their supervisor, the manager should aim to help them reach those goals.

Many find performance management to be a difficult mission to accomplish. Others in particular have difficulty when it comes to evaluating performance. But when it's properly applied, performance management is about partnership and motivation. If it's done from this perspective, there is nothing to be concerned about. When this perspective is shared with the employees and they manage to see it that way, performance management becomes a powerful tool that helps them to become more successful.

Performance management is about future performance planning and improvement. It is a continuous process, and performance improves over time. It also provides the basis for regular and frequent dialogues between managers and individuals on performance and development needs. It mainly involves individual performance, but it can also be applied to teams. Although performance management has become an important part of the reward system by providing feedback and recognition and identifying growth opportunities, it usually associated with performance-related compensation but its developmental aspects are much more important.

In the other hand, Performance evaluation is one of the critical steps in the process of the HR management. Through performance evaluation, an organization look about to know what is done by an employee or a team. Performance evaluation is concerned with the evaluation of the individual and group performance of the employees of a company. Each organization can have its own way of assessing the performance of its employees. The mode of the performance appraisal may be formal or informal. In any case, an organization requires effective appraisals to ensure that the employees' efforts are goal-oriented. In the lack of a reliable and objective performance evaluation of employees, an organization may suffer in the form of high labor cost, underperformance of its workforce, low productivity and underutilization of available resources.

This chapter will allow the reader to have a modest knowledge concerning the performance management in general, which plays a remarkable role in measuring and setting of the human capital's performance in a company, presenting it in the first section of this chapter, followed by a detailed explanation of performance management process. Concluding this chapter by addressing the third section which is the performance evaluation, including its methods, models and the challenges that occurs with it.

Section 1: managing employees' performance

In this section, several essential parts of the performance management such as its definition, the meaning of performance, performance management theories, objectives, guiding principles, and issues will be explained in details for their significance related to our research study.

1 Performance management

1.1 The Definition of performance management

Performance management is the activity of creating a work environment in which employees are empowered to perform to the best of their abilities. It is the main way by which managers communicate what is required from employees and give feedbacks on how they are accomplishing job goals.

Providing the first definition of performance management according to Herman Aguinis “*is a continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning their performance with the strategic goals of the organization.*”¹

A second definition of performance management is according to Armstrong: “*It can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements.*”²

¹AGUINIS, (H), “*Performance Management for Dummies*”, John Wiley & Sons, Inc., Hoboken, New Jersey, 2019, p. 8.

² ARMSTRONG, (M), “*Performance Management: Key Strategies and Practical Guidelines*”, London: Kogan Page Ltd, 2008, pp. 1-16.

1.2 Understanding performance management

According to Armstrong¹, there are five issues that need to be considered to obtain a full understanding of performance management:

1. the meaning of performance;
2. the significance of values;
3. the meaning of alignment;
4. managing expectations;

1.3 The meaning of performance

Performance is defined as behavior that accomplishes results. According to Brumbach, *“Performance means both behaviours and results. Behaviours emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviours are also outcomes in their own right – the product of mental and physical effort applied to tasks – and can be judged apart from results.”*²

Brumbach stated that the reason of the significance of behavior there was more to success or failure than whether results were reached: *“Success is not always positive nor failure always negative”*³, This concept of performance leads to the result that the assessing and rewarding of performance of individuals a number of factors have to be considered including both outputs (results) and inputs (behavior).

1.4 Performance management and values

Performance is to maintain the value of the company. This is an aspect of behavior, but it focuses on what employees do to achieve core values, such as attention to quality, attention to employees, attention to the equality of an opportunity, and ethics. This means transforming the values that are advocated into the values in use: ensuring that speech becomes reality.

¹ ARMSTRONG, (M), *“Performance Management: Key Strategies and Practical Guidelines”*, op. cit., p. 6.

² BRUMBACH, (G), *“Some ideas, issues and predictions about performance management, Public Personnel Management”*, Winter, 1998, pp. 387-388.

³ Ibid

1.5 The meaning of alignment

One of the most basic motives of performance management is the alignment of individual and organizational objectives. This means that everything employees do at work leads to results that further the achievement of organizational goals.

1.6 Managing expectations

Performance management is all about the management of expectations. It establishes a shared understanding of what is needed to improve performance and the way it will be achieved by clarifying and agreeing what employees are expected to act and how they are expected to behave and the usage of these agreements as the basis for measurement, review and the preparation of plans for performance improvement and development.

2 Performance management theories

The following three theories underpinning performance management have been identified by Buchner¹.

2.1 Goal theory

Goal theory, highlights four mechanisms that connect goals to performance results:

- 1) They direct attention to priorities.
- 2) They stimulate effort.
- 3) They challenge employees to put their knowledge and skills to bear to increase their chances of the goal's attainment.
- 4) The more challenging the goal is, the more people will use all their skills to achieve it.

This theory strengthens the emphasis in performance management on setting and accepting objectives against which performance can be measured and managed.

¹ BUCHNER, (T), “*Performance management theory: a look from the performer’s perspective with implications for HRD*”, Human Resource Development International, N°10, 2007, pp. 59-73.

2.2 Control theory

Control theory focuses attention on feedback as a means of shaping behavior. As people receive feedback on their behavior, they appreciate the discrepancy between what they are doing and what they are expected to do and take corrective action to overcome the discrepancy. Feedback is recognized as a crucial part of performance management processes.

2.3 Social cognitive theory

Social cognitive theory was developed by Bandura¹. It is based on his central concept of self-efficacy. This suggests that what people believe they can or cannot do powerfully impacts on their performance. Developing and strengthening positive self-belief in employees is therefore an important performance management objective.

3 Performance appraisal and performance management

Sometimes it is assumed that performance evaluation and performance management are the same thing. But there is a significant difference. Performance appraisal may be defined as the formal evaluation and rating of individuals by the manager at the annual review meeting.

In contrast, performance management is a continuous, broader, more comprehensive, and more natural management process that clarifies common expectations and emphasizes the supportive role of managers who are expected to be coaches rather than judges and pay attention to the future. Performance appraisal is usually discredited; thus, it is often operated as a top-down and largely bureaucratic system owned by the HR department rather than the direct manager. It usually looks backwards, focusing only on what went wrong, rather than looking forward to future development needs.

3.1 Aims of performance management

There is a difference between the general performance management and the HR-related performance management. Although, the similarities between general performance management and HR-related performance management are the objective setting, planning, evaluation, feedback

¹ KURTINES, (W), GEWIRTZ (J), “*Handbook of Moral Behavior and Development: Volume 1: Theory*”, Hillsdale, NJ, 1991, pp. 45-103.

and rewarding activities. Nevertheless, the HR-related performance management focus attention on the management of employee or managers, then on motivating employees and managers. Furthermore, general performance management has been defined more commonly than HR-related performance management. It contemplates the definition of goals and the measurement of goal attainment not just financially but also in terms of meeting all of the employer's aspirations.

The overall aim of performance management is to maintain a high-performance culture in which individual employees and teams hold the responsibility for the ongoing improvement of the business processes and for their own skills, knowledges and contributions within a framework provided by effective leadership. Its main motive is to focus employees on doing the right things by reaching the desired goals.

Specifically, performance management is concerned about achieving the employee's individual objectives in fulfilment of the company's objectives and making sure that every employee is working towards it.

Another aim is to maintain the capacity of individuals to meet the expectations of the company. In general, performance management is concerned with the assistance and counsel for employees who have the need and the ability for develop.

According to Bucher, *“performance management should be something that is done for people and in partnership with them.”*¹

The other aims of performance management are as follows:

- Empowering, motivating and rewarding employees to ensure their best performance.
- Ensuring that the employees focus attention on doing the right tasks at the right time.
- Ensuring effective alignment of individual objectives along with those of the company.
- Ensuring proactive resourcing and management of employee performance against agreed performance objectives and accountabilities.
- Facilitating the attachment of job performance to the achievement of the organization's corporate strategy and service plans.

¹ BUCHNER, (T), *“Performance management theory : a look from the performer's perspective with implications for HRD”*, op. cit., p. 61.

- Facilitating the alignment of individual objectives with those of the team, departments/divisional and corporate plans.
- Ensuring a systematic process and behaviors by which HR managers manage the performance of their people so as to reach a high-performance company.
- Ensuring maximization of employee's potential and capabilities.

4 Characteristics of the performance management

Performance management is a pre-planned process of which the primary elements are agreement, measurement and feedback. According to Armstrong¹, the characteristics of the performance are as follows:

1) Measures outputs of delivered performance

It is concerned with measuring outputs of delivered performance in comparison with expectations defined as objectives. Its whole focus is on targets, standards and performance measures. It is based on the agreement of role requirements, objectives and performance improvement and personal development plans.

2) Concerned with inputs and values

Performance management is also concerned with inputs and values. The inputs are the knowledge, skills and behaviors required to produce the expected results from the individuals.

3) Continuous and flexible process

Performance management is a continuous and flexible process that involves managers and employees acting as partners within a framework that defines how they can best work together to achieve the desired goals.

4) Based on the principle of management by contract and agreement

It is based on the principle of management by contract and agreement rather than management by command. It relies on consensus and cooperation rather than control or coercion.

¹ ARMSTRONG, (M), “*Performance Management: Key Strategies and Practical Guidelines*”, op. cit., pp. 3-4.

5) Focuses on future performance planning and improvement

Performance management also focuses on future performance planning and improvement rather than on retrospective performance appraisal and evaluation. It runs as a continuous and evolutionary process, in which performance improves over the period of time, and provides the basis for regular and frequent dialogues between managers and individuals about performance and development requirements.

5 Guiding principles of performance management

Egan stated the following guiding principles for performance management: *“Most employees want direction, freedom to get their work done, and encouragement not control. The performance management system should be a control system only by exception. The solution is to make it a collaborative development system in two ways. First, the entire performance management process – coaching, counselling, feedback, tracking, recognition, and so forth – should encourage development. Ideally, team members grow and develop through these interactions. Second, when managers and team members ask what they need to be able to do to do bigger and better things, they move to strategic development.”*¹

6 The impact of performance management on performance

Performance management is expected to generally improve organizational performance by establishing a performance culture, in which high performance is a way of life. More specifically, effective performance management can ensure that personal goals are aligned with organizational goals, thereby linking employee key performance indicators with organizational performance indicators, thereby defining the contribution that people can make to organizational performance.

A description of what is the contribution of performance management should be, was defined by Jones² as follows:

- 1) Communicate a shared vision throughout the organization to help to establish and support appropriate leadership and management styles;

¹ EGAN, (G), “A clear path to peak performance”, N°10, People Management, 1995, pp. 34-37.

² JONES, (P), PALMER, (J), WHITEHEAD, (D), NEEDHAM, (P), “Prisms of performance”, The Ashridge Journal, April, 1995, pp. 10-14.

- 2) Define individual requirements and expectation of all employees in terms of the inputs and outputs expected from them thus reducing confusion and ambiguity;
- 3) Provide a framework and environment for teams to develop and succeed;
- 4) Provide the climate and systems which support reward and communicate how; people and the organization can achieve improved performance;
- 5) Help people manage ambiguity.

Assuming that managers and their team members continue to work throughout the year to use performance management processes, such as goal setting, feedback, performance analysis and guidance, will create a situation where results can be guaranteed to improve continuously.

7 Performance management issues

The multiple-perspective nature of performance was commented by Cascio: *“It is an exercise in observation and judgement, it is a feedback process, it is an organizational intervention. It is a measurement process as well as an intensely emotional process. Above all, it is an inexact, human process.”*¹

As a human process, performance management can guarantee more than it achieves. According to Keith, referring to performance appraisal, asserted, famously, that: *“Rarely in the history of business can such a system have promised so much and delivered so little.”*²

Performance management can be designed properly as a system but the acts or failures to act of human beings could harm the effectiveness of the system in practice. Duncan commented that:

Brown stated that, *“The problems (of performance management) are... not of ambition or intent, but rather practice and delivery. Low rates of coverage and even more frequently low-quality conversations and nonexistent follow-up are commonplace, in the wake of uncommitted*

¹ CASCIO, (W), *“Managing Human Resources: Productivity, quality of work life, profits”*, New York, McGraw-Hill Irwin, 2010, p. 334.

² GRINT, (K), *“What’s wrong with performance appraisal? A critique and a suggestion”*, Human Resource Management Journal, N°3, 1993, pp. 61-77.

directors, incompetent line managers, uncomprehending employees and hectoring HR with their still complex and bureaucratic HR processes.”¹

¹ BROWN, (D), “*Performance management – can it ever work?*” *Manager*, Summer, 2011, p. 16.

Section 2: Performance management process.

1 Performance management as a process of management

Performance management is a natural process of management. As defined by the total quality expert William Deming¹, it consists of these fundamental activities:

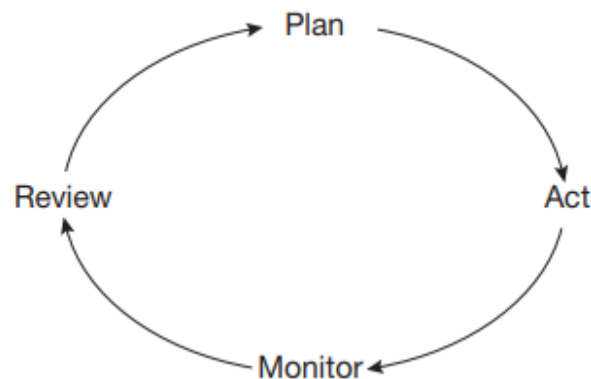
Plan: decide what to do and how to do it.

Act: carry out the work needed to implement the plan.

Monitor: carry out continuous checks on what is being done and measure outcomes in order to assess progress in implementing the plan.

Review: consider what has been achieved and, in the light of this, establish what more needs to be done and any corrective action required if performance is not in line with the plan.

Figure n°II.1: the management cycle



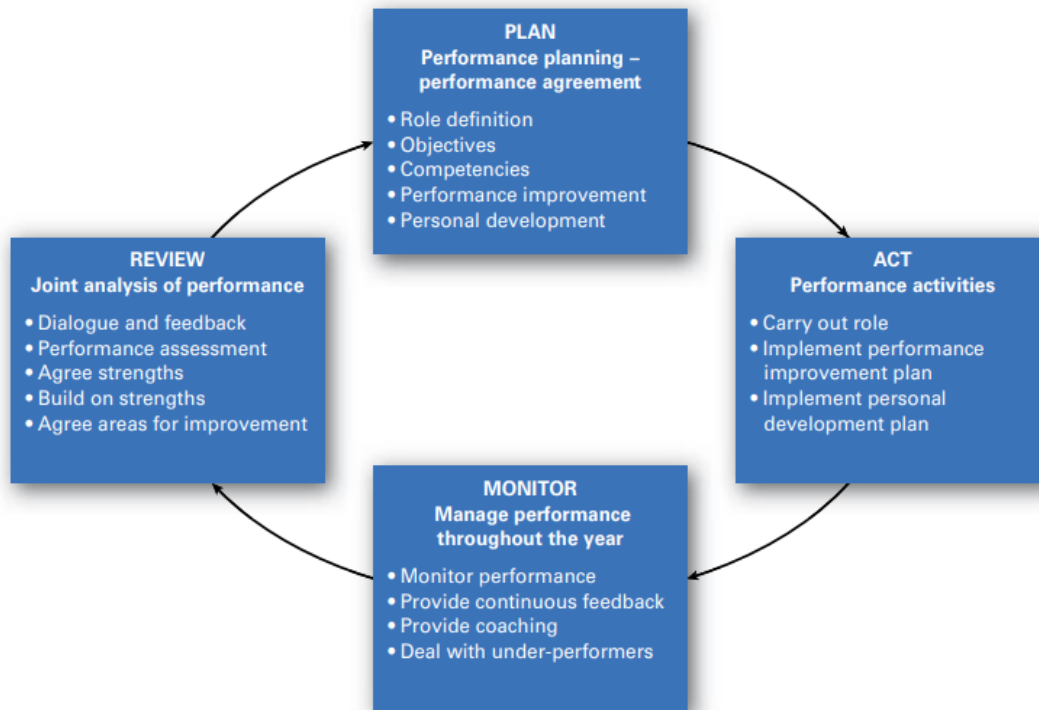
Source: ARMSTRONG, (M), “*Performance Management: Key Strategies and Practical Guidelines*”, Kogan Page Ltd, London, 2008, pp. 1-16.

2 Performance management cycle

The processes of performance planning, performance plan in act, managing performance, performance reviews, and the use of web-enabled technology involved during the cycle are described below.

¹ Deming, (W), “*Out of the Crisis*”, MIT Centre for Advanced Engineering Study, Cambridge, MA, 1986, p. 421.

Figure n°II.2: Performance management cycle



Source: ARMSTRONG, (M), TAYLOR, (S), “*Armstrong's handbook of human resource management practice*”, 13th edition, KoganPage, London, United Kingdom, 2014, p. 337.

2.1 Performance planning

Performance planning is based on performance agreements. Expectations are defined generally in role profiles that specify key result areas; the knowledge, skills and abilities required and the behavioral competencies needed to perform well. What has to be accomplished in key result areas can be defined in the form of objectives or targets. An important aspect of performance planning is the process of aligning individual goals with the strategic goals of the organization.

2.1.1 Defining role requirements

The foundation for performance management is a role profile, which defines the role in terms of the key results expected, what role holders need to know and be able to do (technical competencies), and how they are expected to behave in terms of behavioral competencies and upholding the organization’s core values. Role profiles need to be updated every time a formal performance agreement is developed.

2.1.2 Objectives

Objectives or goals describe something that has to be accomplished. Objectives setting that results in an agreement on what the role holder has to achieve is an important part of the performance management processes of defining and managing expectations and forms the point of reference for performance reviews.

1) Types of objectives

- **Ongoing role or work objectives:** all roles have built-in objectives that may be expressed as key result areas in a role profile.
- **Targets:** these define the quantifiable results to be attained as measured in such terms as output, throughput, income, sales, levels of service delivery and cost reduction.
- **Tasks/projects:** objectives can be set for the completion of tasks or projects by a specified date or to achieve an interim result.
- **Behavioral:** behavioral expectations are often set out generally in competency frameworks but they may also be defined individually under the framework headings. Competency frameworks may deal with areas of behavior associated with core values, for example teamwork, but they often convert the aspirations contained in value statements into more specific examples of desirable and undesirable behavior, which can help in planning and reviewing performance

2) Criteria for objectives

Many companies use the following “SMART” mnemonic to make a summary of the criteria for objectives:

S = Specific/stretching – clear, unambiguous, straightforward, understandable and challenging.

M = Measurable – quantity, quality, time, money.

A = Achievable – challenging but within the reach of a competent and committed person.

R = Relevant – relevant to the objectives of the organization so that the goal of the individual is aligned to corporate goals.

T = Time framed – to be completed within an agreed timescale.

According to Chamberlin¹, “*the real aim of setting objectives is for people to know exactly what it is they have to do, when they’ve done it, that they are able to do it, why they have to do it (i.e. who for) and that it is something they should be doing, and how they are progressing along the way*”

Blanchard² suggested that the last three memorized letters should be modified to A means achievable, R means relevant, and T means traceable. He first paid special attention to "relevance"; This means that the goal is business-related and its customers. Second, he emphasized "traceable" Because the important thing related to the goal is monitoring the progress over a period of time, that is, track the progress (he refused "Time-related" because it does not convey this basic function and has been "time-related" anyway with 'specific').

2.1.3 Measuring performance in achieving objectives

Measurement is an important concept in performance management. It is the ground of providing and generating feedback. It identifies where progress is going well, provides a basis for further success, and points out where progress is not going well, so corrective actions can be taken.

It is relatively easy to measure performance for those responsible for achieving quantitative goals (such as salespeople). For knowledge workers, such as scientists, this is even more difficult. However, if the two forms of results (output and outcome) are distinguished, this difficulty can be alleviated. The output is the result that can be measured quantitatively, and the result is a visible effect. It is the result of hard work, but it may not be measured quantitatively.

2.1.4 Fixing a performance standard

In order to achieve a goal, a certain quality of work must be performed. Now, we shall discuss the level of performance employees expect to achieve. In order to determine performance standards, a thorough discussion should be conducted among managers, supervisors, employees, internal experts and consultants.

Performance standards should be feasible. These values should not be too low or too high. The performance of slow and fast performers may not be suitable for everyone. Therefore,

¹ CHAMBERLIN, (J) “*Who put the ‘art’ in SMART goals?*”, Management Services, N°55, 2011, pp. 22-27.

² BLANCHARD, (K), JOHNSON, (S), “*The One Minute Manager*”, William Morrow & Co, New York, 1982, pp. 11-16.

average performance should be considered. Performance standards are statements about what constitutes good work.

2.2 The Action or the execution of the performance plan

After planning of performance management, the next step is the action or the execution of the pre-settled plan. If the plan is good and not implemented correctly, the result will be poor, and if an inaccurate plan is implemented vigorously, many irregularities can be overcome. This stage is very important. In the execution phase, actions should be taken at the same time as the work.

Measures related to performance plan communication, guidance, training and education, performance motivation and feedback should be taken by the responsible manager or supervisor. Everything planned by the authorities must be communicated to all relevant parties, involving objectives, work, methods or procedures, capabilities, goals, responsibilities, accountability and performance standards.

This will help a lot in understanding the requirements and avoid confusion. This will help gain the support of everyone involved. If proper, purposeful and timely communication is carried out, the goals of the plan will be easier to achieve. When it is determined that training and education are needed, sincere efforts should be made to train and educate in-service and out-service personnel.

This will help develop employees' knowledge, skills and abilities. Trained personnel will be full of confidence in the work, confidence will make the work performance better, and make job performers more satisfied.

2.3 Managing performance throughout the year

“Perhaps one of the most important features of performance management is that it is a continuous process that reflects normal good management practices of setting direction, monitoring and measuring performance and taking action accordingly.”¹

This method is in contrast to the methods used in conventional performance evaluation systems (which we shall discuss in the third section), which are usually built around annual activities (i.e. formal reviews), which tend to stay in the past. This is usually done at the request of the personnel department and then forgotten. The managers continue to manage without further reference to the review results, and the evaluation form was buried in the personnel file system.

In order to ensure the establishment and maintenance of a performance management culture, performance management must be actively supported and encouraged by the senior management. Management must make it clear that it is regarded as an important means to achieve goals and continuous organizational success. They must emphasize that performance management is the responsibility of managers, and their performance as managers will be measured with reference to the degree to which they perform their duties seriously. Importantly, the performance management rhetoric must be there transformed into reality by the deeds as well as the words of the people who have ultimate responsibility for running the business.

2.3.1 Communication and feedback

According to master thesis titled “Managing Under Performance”, *“The interaction between the manager and the employee is important and is a vital part of performance management. Positive feedback is cherished by the receiver, motivating and it builds the receiver’s confidence and supports personal development.”²*

The importance of communication and feedback lies in whether employees understand and have understood their expectations of performance and behavior, especially when performance needs to be changed. In order for employees to understand their performance levels, managers need

¹ ARMSTRONG, (M), TAYLOR, (S), “*Armstrong's handbook of human resource management practice*”, 13th edition, KoganPage, London, United Kingdom, 2014, p. 338.

² KOTOLA, (H), “*Managing Under Performance*”, Master’s Thesis: International Business Management, Arcada University of Applied Sciences, 2016, p. 21.

to provide feedback from the beginning. Therefore, corrective feedback is required at least in the following cases:

- when the manager needs to let an employee know the consequence of his behavior;
- when unsolved issues persist;
- when an error happens again and again;
- when an individual employee's performance doesn't meet expectations.

By giving appropriate and functional feedback, the manager can control the employee's efficient behavior, motivate him and reassert or have the employee end certain activity or behavior. When feedback is used in organizational context, it is normally linked to employee's performance in performance management in evaluating employee's performance.

2.4 Reviewing performance

Robert defines the performance review meeting as follows:

“The performance review meeting is a process where manager and employee work together to assess the degree to which the employee has attained agree-upon goals, and work together to overcome any difficulties encountered. Also called performance appraisal meeting, or performance evaluation meeting. Usually refers to an annual meeting.”¹

Although performance management is a continuous process, it is still necessary to conduct a formal review once or twice a year. This provides a focus for consideration of key performance and development issues. The performance review meeting is a way to make full use of the five main performance management elements of agreement, measurement, feedback, and active enhancement and dialogue.

However, it is beneficial to hold shorter performance review meetings throughout the year, because doing so prevents small performance issues from becoming bigger. Similarly, the longer the existing performance issues, the more difficult it is to solve, so it makes sense to hold more meetings, not just an annual meeting.

¹ BACAL, (R), “*Performance Management*”, 2nd edition, McGraw-Hill Professional, New York, 2012, p. 198.

The review should be implanted in the reality of the individual performance. It is tangible, not theoretical, and it allows managers and employees to take a positive view together at how performance can become grater in the future and how any issues in meeting standards and achieving objectives can be resolved. employees should be encouraged to evaluate their own performance and become part of improving their results. Managers should be motivated to adopt their formal enabling role: coaching and maintaining support and guidance.

2.4.1 Criteria for reviewing performance

The criteria for the reviewing of performance should be balanced between:

- 1) Achievements in relation to corporate goals and objectives;
- 2) The level of knowledge, skills and abilities possessed and applied;
- 3) Behavior in the job as it has remarkable effects on performance;
- 4) The degree to which behavior validate the core values of the company;
- 5) Day-to-day effectiveness.

3 Web-based performance management

Web-based online performance management or online performance management makes it easier for managers and employees to record role profiles and performance agreements, monitor progress against performance plans, access performance documents, and collect multiple source codes (360-degree evaluation, wish we shall discuss in the third section) comments. All these data can be used to assist in performance review and to record other agreements generated during the reviews. The goal is to reduce paperwork and simplify the process.

Section 3: Performance evaluation

1 Defining performance evaluation and appraisal

To Mondy, “*performance appraisal (pa) is a formal system of review and evaluation of individual or team task performance. A critical point in the definition is the word formal because, in actuality, managers should be reviewing an individual’s performance on a continuing basis.*”¹

A second definition by Gary, “*Performance evaluation means evaluating an employee’s current and/or past performance relative to his or her performance standards.*”²

In many companies, formal, systematic procedures are introduced to the regularly assessment of employee's performance, usually involving at a minimum an interview or discussion between manager and employee, with documentation of the recorded performance. Whether the evaluation has its own time, or whether it is connected to the development discussions, in employee evaluation the manager and employee typically discuss the employee’s productivity, behavior, attitude and performance at work. It may include assessing the skills, abilities, and such activities expected of the performer, or assessing the success of previously set goals. Some organizations separate the employee evaluation forms from the objective evaluation forms.

Evaluation or appraisal is often seen as aiding strategy formulation through providing information on employee's strengths (skills and knowledge) and weaknesses, and the strategy implementation by specifying what and when employees need to do to successfully accomplish a chosen strategy. According to John, “*employee evaluation is intended to help align training and development programs with strategic needs, make placement or staffing decision more effective and to enhance performance.*”³

According to Douglas⁴, in an ideal situation, the performance appraisal process starts with the companies vision, mission, values, strategies and objectives and that those elements set the

¹ MONDY, (R), MARTOCCHIO, (J), “*Human Resource Management*”, op. cit., p. 188

² DESSLER, (G), “*Human Resource Management*”, op. cit. p. 274.

³ STOREY, (J), “*Human Resource Management. A Critical Text*”, Thomson Learning, Cornwall, United Kingdom, 2001, pp. 143-144.

⁴ Long, (D), “*Delivering High Performance: The Third Generation Organisation*”, Routledge, Farnham, United Kingdom, 2016, pp. 122-123.

framework for determining the KRA's ("key result areas") and the KPI's ("key performance indicators") against which every employee in the organization is assessed.

Long concludes that the concept of performance evaluation has been around of a long time, in 1957, Douglas McGregor saying in his book "*The Human Side of Enterprise*" of performance appraisal processes:

"Formal performance appraisal plans are designed to meet three needs, one for the organization and two for the individual:

- *They provide systematic judgments to back up salary increases, promotions, transfers, and sometimes demotions and terminations.*
- *They are a means of telling a subordinate how he is doing, and suggesting needed changes in his behaviors, attitudes, skills or job knowledge; they let him know 'where he stands' with the boss.*
- *They are also being increasingly used as a basis for the coaching and counseling of the individual by the superior.*"¹

2 Objectives of performance evaluation

Every organization applies some form of performance evaluation to achieve the pre-determined objectives. However, these objectives often vary from organization to organization. Sometimes, they may differ even within the same organization from time to time depending upon the established requirements. The common objectives of performance evaluation are:

- 1) **Identify the performance gap:** Performance evaluation helps in deducting the gap between the present performance of the employee and the performance expected or desired by the organization.
- 2) **Provide the basis for promotion, transfer and dismissal:** Performance evaluation promote the process of identifying in an objective manner the employees who deserve promotions, transfers or even dismissals.
- 3) **Aid in designing training and development programs:** The outcomes of performance evaluation can be utilized to identify the specific skills and abilities required to be developed

¹ MCGREGOR, (D), "*An Uneasy Look at Performance*", Harvard Business Review, May-June, 1957. <https://hbr.org/1972/09/an-uneasy-look-at-performance-appraisal> (consulted on 29/07/2020).

for each employee and therefore can help in developing the training and development programs.

- 4) **Assist in compensating employees:** As discussed in the first chapter, performance evaluation helps in determining compensation packages like wages, rewards allocation, and incentives for employees on a scientific basis.
- 5) **Help in increasing employee effectiveness:** It eases for the organization in the improvement of effectiveness of its employees by helping them identifying their strengths and reducing their weaknesses.
- 6) **Improvement of interpersonal relations:** It helps in building a pleasant industrial relationship by encouraging good contact between the managers and whom they manage. It also represents a mechanism for communication between the managers and the employees.

3 Uses of performance evaluation

For many organizations, the primary objective of an evaluation system is to improve individual and organizational performance. There may be other goals, however. A potential issue with PE, and a possible cause of personnel dissatisfaction, is expecting too much from one evaluation plan. For example, a plan that is effective for developing employees may not be the best solution for determining pay increases.

However, a well-designed evaluation system can overcome this issue to a great extent. Thus, it can be a tool that HR managers use in every stage of the human resource management process. In other words, the information obtained through performance evaluation may help the HR managers in several ways. It can be used to convert strategic objectives of the organization into the employees' objectives, to accomplish or review its HR plans, to revisit the employees' career plans, and to increase individual and organizational performance.

The following are some of the HR operations where the outcomes of performance evaluation are widely utilized:

3.1 Human resource planning

HR planning involves predicting and determining the manpower requirements of a company to meet its strategic goals. With the aid of performance evaluation, organizations can effectively

evaluate their available manpower and plan future HR plans based on expected labor requirements. Through performance evaluation, it can also plan and prepare an overview of its human resources strengths and weaknesses to support its strategic tasks and goals.

3.2 Recruitment and selection

The aim of any selection tool is the prediction of how likely the performance of candidates would be when employer offer jobs. The results from the various selection devices administered to candidates at the time of selection are commonly correlated at a later phase with their actual job performance to determine the efficacy and effectiveness of the selection tools.

According to Richard, *performance evaluation offers a way for validating both internal (promotions and transfers) and external (employing new people from outside sources) selection programs.*¹

However, performance evaluation ratings are good at predicting the performance of candidates. Thus, when not enough importance is given to the appropriate evaluation of the employees' performance, time and money spent on the establishment and development of selection tools are likely to be wasted.

3.3 Training and development

*“Performance appraisal should point out an employee’s specific needs for training and development. For instance, if Pat Compton’s job requires skill in technical writing and her evaluation reveals a deficiency in this factor, she may need additional training to overcome this shortcoming.”*²

Performance evaluation can easily identify an employee’s specific needs for training. This is because the lack in performance is generally the direct result of the absence of adequate knowledge, abilities or skills on the part of the workforce. In fact, performance evaluation outcomes can be used to decide whether an employee or a group of employees will require additional training and development.

¹ ARVEY, (R), FALEY, (R), *“Fairness in Selecting Employees”*, 2nd edition, Addison-Wesley, Reading, Berkshire, United Kingdom, 1988, pp. 151-164.

² MONDY, (R), MARTOCCHIO, (J), *“Human Resource Management”*, op. cit. p. 188.

3.4 Compensation decisions

As discussed in the previous chapter, performance evaluation helps the company to compensate and reward behavior that contributes directly to the attainment of the organizational objectives. Therefore, it is essential to elaborate and execute a dependable performance evaluation system to reward the most efficient and effective workers and groups appropriately.

A recent study by Kathryn¹ showed that two thirds of the companies use performance reviews to calculate pay increases, and almost half use them to determine bonuses.

3.5 Career planning and development

Performance evaluation is very useful for determining the employee's career plan. Any organization only wants to promote the most qualified employees to a higher level. In this case, performance appraisal data is essential for evaluating the strengths and weaknesses of employees and determining their potential. The organization can decide whether to transfer or lay off employees based on the results of the performance evaluation. Finally, HR professionals can help employees formulate and implement their career plans based on performance evaluation.

3.6 Feedback

Employees usually have interest in knowing the outcomes of the performance evaluation. This is since they may be curious to know how well they are performing at that moment and how much improvement is required to reach the desired performance. This feedback allows them to have a clear idea about their standing in the company as associated with performance rewards like promotion, or merit pay. An objective and timely feedback can represent a benefit to the employees in terms of motivation and satisfaction, also it can be a benefit the management in terms of enlarged cooperation, productivity and support from the employees.

4 The criteria for performance evaluation

The determining performance evaluation standards usually involves a tricky question, that is, which aspects of employee performance should be evaluated. It should be noted here that the selection criteria should be purely work-related and completely within the workers' control.

¹ TYLER, (K), "Performance Art," HR Magazine, N°50, 2005, pp. 58–63.

Moreover, they should be clearly defined and should not be ambiguous. As far as possible, performance evaluation which is established on a single criterion is to be avoided. The job analysis report can assist in identifying the criteria for each job. Usually, performance appraisal criteria include; individual traits, behavioral characteristics, goal accomplishment, scope for improvement, and competencies.

4.1 Individual traits

The employees' attributes like attitude, outlook and initiative can be the basis for the performance evaluation. However, it is necessary to ensure that the subjective elements of these characteristics are carefully controlled and properly defined, otherwise the appraisal will be inaccurate. For example, subjective factors such as leadership, appearance, personal conduct, attitude towards life, ethics, imagination, mental alertness and reliability, may lead to biases and prejudices in the evaluation.

4.2 Behavioral characteristics

Behavior is the combination of the responses, reactions or movements provided by a person in any situation. Despite the fact that the individual's response on a particular occasion is difficult to predict, organizations may evaluate the standard task-associated behavior or competencies. In fact, companies tend to recognize and reward those behaviors that can make a contribution to the total growth of the organization.

4.3 Goal accomplishment

The successful achievement of goals can become a criterion for evaluating the performance of employees. The result of those goals that have a contribution to the success of the company can be an ideal evaluation criterion. They can be financial objectives like profit, cash flow or marketing objectives like the desired sales, attaining and maintaining the target market share or standing in the market, maintaining the time agenda, and total quality management. Yet, it is crucial that the management include the employees in the process of fixing objectives for evaluation.

4.4 Competencies

Competency is the quality of being properly qualified physically and intellectually. Performance appraisal can attempt to evaluate those work-related skills, knowledge, qualities, ethical values, flexibility and sense of judgment that involves in the job's success.

Susan¹ stated five key areas that require the use of specific competency and skills and contribute significantly to the success of a company in general and HR management in particular.

- 1) **Strategic contribution:** Linking organizations to their markets and quickly aligning employee behavior with the organizational needs
- 2) **Business knowledge:** Illustrating how businesses are run and translating this into action
- 3) **Personal credibility:** Demonstrating measurable value; being a member of an executive team
- 4) **HR delivery:** Delivering efficient and effective service to customers in the areas of staffing, performance management, development, and appraisal
- 5) **HR technology:** Implementing technology and Web-based means to deliver value to customers

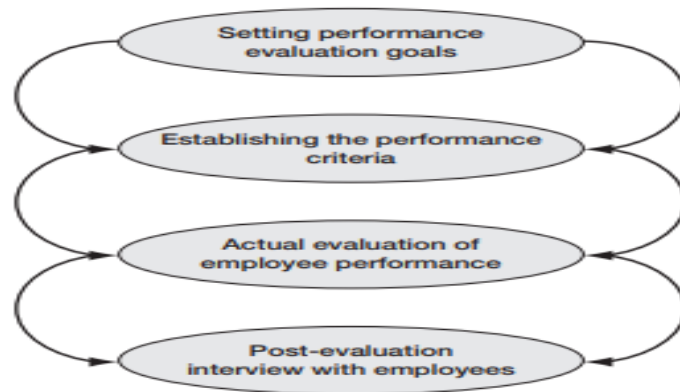
5 Performance evaluation process

Similarly, to the performance management, the entire character of performance evaluation should begin at the top and be built into the strategy of the company. It should be integrated in the values of the company. The performance appraisal process should reinforce the working relationship between the managers and whom they manage. It should also make a contribution to the long-term success of the company. The whole process should be a rewarding and satisfying experience not only for the company but also for the individual employees. *“An ideal performance evaluation process should provide the basis for managing the business of today and for developing it in the future.”*²

The figure below illustrates the steps involved in a performance evaluation process.

¹ MEISINGER, (S), *“Adding Competencies, Adding Value,”* HR Magazine, N°48, 2003, p. 8.

² WILLIAMS, (S), *“Strategy and Objectives”* in Neale (F), *“Handbook of Performance Management”* Jaico Publishing House, Mumbai, India, 2002, p. 7.

Figure n°II.3: Performance evaluation process

Source: DURAI, (P), “*Human Resource Management: For VTU*”, Pearson, 2001, P: 206

5.1 Identify specific performance evaluation goals

As performance management, the first step in the process of performance appraisal is setting specific goals. These goals are usually set in cooperation of both the managers and their employees. The goal-setting process guarantee that every employee knows what is expected of him and how the achievement of the goal contributes to the overall success.

Companies should select only those goals that are most important and realistically attainable. Normally, the effectiveness of performance evaluation depends on the efficiency of the objectives being framed.

5.2 Establishing the performance criteria

The next step of the process is to determine the evaluation criteria. These standards are the basis for comparison. In fact, it is a reference point for evaluating other things. The organization must decide which characteristics of employees to evaluate. These standards should be job-related, specific and within the employee's control. These may include traits, behaviors, cost-related results, capabilities, goal achievement, and scope for further improvement. There should be joint discussions between managers and employees on standard setting. After establishing performance standards, these standards should be communicated to all relevant personnel.

5.3 Actual evaluation of performance

At this stage, the employee's performance is evaluated actually on the basis of predetermined criteria. The evaluator and the employee review the latter's job performance jointly and appraise it against established performance standards. This appraisal assists in determining to what extent employees have met these standards, ascertaining the reasons for any deficiencies and preparing a plan to correct the problems.

5.4 Post-evaluation interview with employees

As a final step in the formal evaluation process, the superior can have a meeting with the appraised employees to discuss the results of the evaluation, once the appraisal is over. At this stage, the evaluator can ascertain from the employees the reasons for their high or low level of achievement against pre-determined objectives. Further, the evaluator can help the employees consolidate their strengths and improve their relative weaknesses. At this meeting, goals can also be set for the next evaluation period and the process goes on.

6 Selection of the evaluator

In any appraisal process, the most crucial challenge is deciding who should evaluate the employees. The person who is the evaluator is called the rater while the person who is being evaluated is called the ratee.

According to Kenneth¹, one desirable factor for a person to be a rater is that he should have enough opportunity to take note of the ratee's (employee's) performance in a certain period of time. Performance appraisal should be handled to those who are most knowledgeable about an employee's work performance and are able to closely monitor his work behavior.

6.1 Immediate supervisors

It is normally the immediate supervisor who is the most familiar to the activities of the employee being appraised. Identically, the immediate supervisor is in an appropriate position to effectively coordinate his employee's performance with that of his own team and also with the total performance of the company.

¹ WEXLEY, (K), LATHAM, (G), "*Developing and Training Human Resources in Organizations*", Scott Foresman, Glenview, Ireland, 1981, pp. 79-88.

However, the downside of involving the direct supervisor is that he may tend to while ignoring other work-related factors, more emphasis is placed on certain aspects. E.g., if the supervisor is basically a technical expert, then he may ignore the other skills of the employees, while paying too much attention to the technical capabilities of the employees.

6.2 Peer groups

A peer is an employee who is of an equal standing with another in a group. Recently, the appraisal of an employee by his peers is becoming one of the most popular forms of evaluation. The principal strength of employing peers to evaluate an employee's performance is that they work in a close distance with the ratee and probably have a transparent view on typical performance, particularly in team assignments.

The drawback of peer evaluations is the reluctance of some people who work closely together, especially on teams, to criticize each other, that may even create a conflict between the employees.

6.3 Employees

Many companies are serious about the evaluation of supervisors and managers by their employees. There is a developing realization among the companies that employee ratings are particularly valuable when used for developmental rather than evaluative purposes.

This practice is more popular in educational institutions where teachers are evaluated by their own students. The major problem with this method, is the fear of victimization by the superior and that is why employees often prefer to evaluate their managers in an anonymous way.

6.4 Committees

Organizations are now using rating committees to evaluate employees. These committees are usually balanced with the inclusion of a few supervisors, including the immediate supervisor. These committees of multiple evaluators can overcome the problems of prejudice, bias and preconceived concepts. The comprehensive level is also more reliable, fair and effective. In addition, evaluation can also be comprehensive, with different evaluators assessing different aspects of employee performance.

6.5 Self-evaluation

There has been controversy surrounding the effectiveness of self-appraisal, because employees may tend to rate themselves higher than those evaluated by their superiors and colleagues. This method is usually used to collect useful and important data about employees, rather than to evaluate them. Employees can provide detailed information about their achievements and contributions during the review period.

Nonetheless, this process can act as an instrument of motivating employees because they can take this opportunity to remind management to pay attention to their contribution to achieving organizational goals and gain recognition and appreciation. As a balance to other methods, self-appraisal can help supervisors who are primarily focused on ensuring employee participation and development

6.6 Customers

Many organizations have recently realized that it is in the organization's interest to allow customers to evaluate the performance of their employees. This is because customer satisfaction and behavior play an important role in the success and sustainability of the organization. In addition, this can also demonstrate an inclusive culture, commitment to customers, quality awareness, employee responsibility for actions, and organizational vitality. This process can be used to improve the quality and efficiency of employees in the public relations department, and to continuously improve customer satisfaction.

7 Performance evaluation methods

The decision to choose a particular assessment type usually involves answering questions such as what to evaluate and how to evaluate. However, the purpose of the evaluation is the main guiding factor in making such decisions. For example, traditional methods such as scoring scales, paired comparisons and other similar methods is when the purpose of evaluation is to identify suitable employees for promotion and compensation, and collaboration methods such as employees, peers, customers, and self-evaluation are more suitable for training employees.

The performance evaluation methods executed by the companies divide in two categories, traditional and modern methods.

7.1 Traditional methods of performance evaluation

7.1.1 The rating scales method

In this method of performance evaluation, employees are rated according to pre-specified factors. This method is simple and clear-cut and it allows prompt evaluation of several employees at a time. In this method, evaluators record their assessments of the performance of the employees on a scale.

These characteristics are usually job-related factors such as quality and the number of work hours and personal factors, such as reliability, interpersonal skills and adaptability. The scale may have various scores, which represent outstanding, average, and need improvement. The supervisor evaluates employees by circling each employee's scale in the evaluation form the factor that best describes his or her performance. Finally, the assigned values are summed up for each characteristic.

7.1.2 The ranking method

This is one of the oldest and easiest ways to evaluate employees. The evaluator or the assessor ranks each employee based on their relative value to the organization (compared to other employees). Each employee who has been evaluated can ensure his position in the order of the selected characteristics from highest to worst. In short, in the same characteristics, the best employees in the list are ranked highest, while the poorest employees are ranked lowest.

Although this method has the advantages of being easy to manage and explain, it has some drawbacks. For example, it provides scope for the prejudices and biases of evaluators. This may be due to the influence of halo and recency (both will be described in the end of this chapter). In addition, it is not suitable for evaluations involving large numbers of people. This method is not ideal when employees have different behavioral qualities

7.1.3 Paired comparison method

Gary defines this method as, "*ranking employees by making a chart of all possible pairs of the employees for each trait and indicating which is the better employee of the pair.*"¹

This method is just a variation of the ranking method, but its ranking system is usually superior. In this method, two employees of a group are treated as a unit or a pair. in According

¹ DESSLER, (G), "*Human Resource Management*", op. cit., pp. 278-282.

to predetermined criteria (e.g. overall performance), associate an employee with another. The process of comparing a pair of employees continues until all employees have been compared. Finally, the employee who gets the greatest number of favorable responses among employees gets the highest ranking.

Table n°II.1: Paired comparison method

Note: + means "better than." – means "worse than." For each chart, add up the number of +'s in each column to get the highest ranked employee.

FOR THE TRAIT "QUALITY OF WORK"						FOR THE TRAIT "CREATIVITY"					
Employee rated:						Employee rated:					
As Compared to:	A Art	B Maria	C Chuck	D Diane	E José	As Compared to:	A Art	B Maria	C Chuck	D Diane	E José
A Art		+	+	-	-	A Art		-	-	-	-
B Maria	-		-	-	-	B Maria	+		-	+	+
C Chuck	-	+		+	-	C Chuck	+	+		-	+
D Diane	+	+	-		+	D Diane	+	-	+		-
E José	+	+	+	-		E José	+	-	-	+	

↑
Maria ranks highest here

↑
Art ranks highest here

Source: DESSLER, (G), "Human Resource Management", 15th edition, Pearson, London, United Kingdom, 2016, p. 346.

7.1.4 The forced distribution method

Forced distribution method, stacked ranking or bell-curve rating, this method, the evaluator has to assign the employees to various performance categories like excellent, good, average, and poor, each with a pre-established percentage. Forced distribution is becoming as a popular method as more companies are beginning to use it due to an increased focus on pay for performance.

The advantage of this method is that it forces the weak managers to act against the poor performers, who would otherwise escape corrective action. In the other hand, the drawback of this method that it can also cause potential damage to employee loyalty and cooperation as the employees may suspect it to be an exercise to get rid of them.

7.1.5 Critical incidents method

The manager's attention is focused on specific or critical behavior that separates effective from ineffective performances. A critical incident is behavior that is critical for success on the job (a method of job analysis). E.g., behavior is defined as poor when the employee leaves machine running while unattended and good when he or she always wears safety goggles (safety glasses)

on the job. This method's major drawback is, usually, so called turned poor behavior may be due to the circumstances and environment rather than actual.

7.1.6 Management by objectives method

The concept of 'Management by objectives' (MBO) was first introduced by Peter Drucker¹ in 1954. This method can be defined as a process whereby employees and managers assemble to identify the common goals which the former is expected to attain for considering as a standard for measurement of performance and deciding the course of action to be followed.

The essential role of MBO is participative goal fixing, choosing the way of action and decision making. The second important role of MBO is measuring and comparing of employee's actual performance with the standards set.

In a utopia, when the employees are involved with the goals' setting and choosing the way of action to be followed by them, they are more likely to respect and fulfill their responsibilities.

Generally, MBO evaluates how well the employee attained the objectives determined to be critical in job performance. Therefore, this method aligns objectives with the quantitative performance measures such as sales, profits and zero-defect units produced.

7.2 Modern methods of performance evaluation

7.2.1 360-degree feedback method

*"Also known as multisource feedback, 360-degree is assessed and feedback is given by a number of people who may include their manager, subordinates, colleagues and customers. Assessments take the form of ratings against various performance dimensions. The term '360-degree feedback' is sometimes used loosely to describe upward feedback where this is given by subordinates to their managers."*²

The 360-degree feedback method emerged as an important HR tool globally. It operates around a full circle, multi-source and multi-rater system of gathering information about the employee's performance from the peers, subordinates and internal and external customers. The 360-degree method takes in consideration the individual's management style, competencies and

¹ DRUCKER, (P), *"The Practice of Management"*, Harper, New York, 1954, pp. 121-136.

² MONDY, (R), MARTOCCHIO, (J), *"Human resource management"*, Op. Cit., p. 348.

behavior based on assessment by the colleagues horizontally and by the superior peers and direct reports vertically.

Nonetheless, the 360-degree method does have certain drawbacks such as halo effect, cognitive dissonance, bias or prejudice coming from long association, fear, perception, central tendency, leniency and recency effect (which we shall in the end of this chapter).

7.2.2 Key result area method

Key Result Area (KRA) is a method of evaluation where each employee gets two or three areas for which he or she has to focus for the next three to six months depending on the company's appraisal cycle. These KRAs provide requirements to the employees for performing on which the employee will be measured and evaluated. Generally, KRAs are directly linked to variable pay.

7.2.3 HR scorecard method

The HR Scorecard is a management system for filling the gap between usually measured in HR and actually essential to the firm. There must be a focus on HR structure, the sum of HR function, broader HR system and resulting HR behavior and how to measure the HR function in terms of the value creation process.

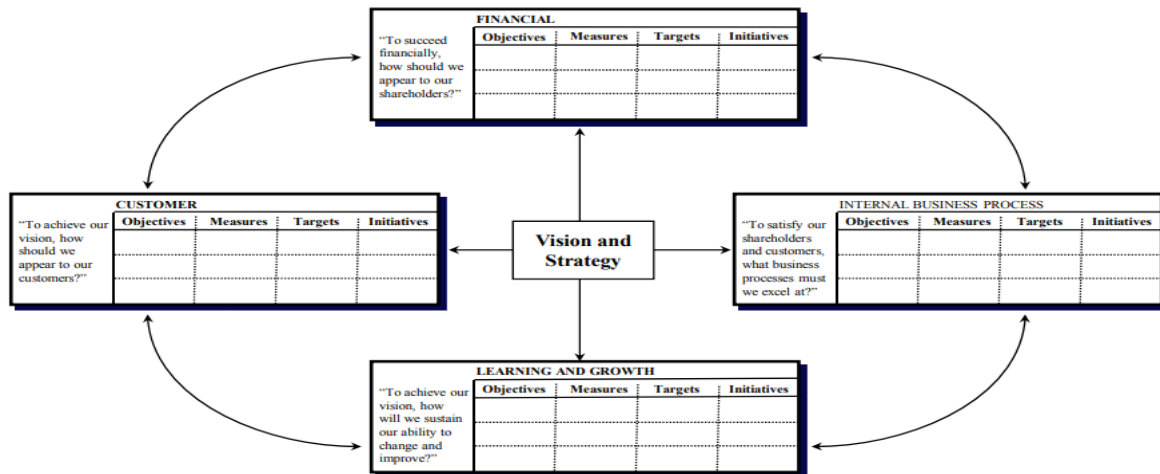
The perfect scorecard for an HR measurement system includes four steps: identifying the HR deliverables, identifying and measuring the high-performance work system elements that generate deliverables, developing a well-measured competency model that focuses on result, besides identifying the HR efficiency measures that link the costs and benefits.

7.2.4 Balanced scorecard method

The Balanced Scorecard method was a breakthrough technique created by Robert Kaplan¹. It takes into account four aspects covering areas such as financial, customer, learning and growth, besides the internal business process.

¹ KAPLAN, (R), "*Conceptual foundations of the balanced scorecard*", Harvard Business School, Cambridge, United Kingdom, 2010, pp. 2-8.

Figure n°II.4: Balanced scorecard method



Source: KAPLAN, (R), "Conceptual foundations of the balanced scorecard", Harvard Business School, Cambridge, United Kingdom, 2010, p. 4.

The balanced scorecard retains the traditional financial measures. But these measures tell a story of the past events, adequate only for the industrial age companies for whom investment in long-term capabilities and customer relationship were not critical for success. Moreover, the financial measures are inadequate for guiding and evaluating the journey that the present information age companies must make to create future value through investment in the customers, suppliers, employees, processes, technologies and innovations.

8 Issues in performance evaluation

The success of the performance evaluation process depends on the quality, credibility and unremitting nature of the process. Therefore, performance evaluation methods, especially rating scale techniques, are usually susceptible to problems such as lack of objectivity, halo effect and recency effect.

8.1 **Absence of objectivity**

Objectivity signifies the judgment based on observable phenomena and unaffected by emotions or personal prejudices. The main weakness of the traditional evaluation methods like rating scales is the absence of objectivity.

8.2 Halo effects

Halo effects happens when the supervisor's appreciation for one of the employee's positive traits (like appearance, behavior and competency) is carried over to his evaluation of all other aspects of the employee's performance. The halo effect may then result an excessively higher rating. In fact, Andrew describes halo effects as "*the influence of a rater's general impression on the rating of specific ratee qualities*"¹. Nonetheless, a supervisor may carry over his negative impression of one trait to all aspects of the evaluated employee's performance.

8.3 Bias

When the evaluator is too concerned about the personal characteristics of the employees lacking focus on the real performance, there is an actual possibility of a bias in the appraisal. In fact, this problem occurs when the supervisors permit individual differences such as gender, race or age to influence the ratings they give. In fact, any biased behavior will have an adverse influence on the outcome of the evaluation, thereby affecting the objectivity and fairness of the evaluation. A study by Gary Gregures² have confirmed that biases account for the biggest percentage of the observed variance in performance evaluations.

8.4 Recency effects

Recency refers to the state of being recent. When the evaluation process is distorted by events that occurred before the evaluation, a recency effect occurs in the evaluation. Such recent events may have an unbalanced impact on the assessor during the assessment. It can be compared with the black dots on other plain paper. When employees know the timing of the performance review, they may tend to show their best behavior and increase productivity before the planned evaluation. For example, a salesman may make an important order before the evaluation to improve his original average annual performance and influence the evaluator.

¹ SOLOMONSON, (A), LANCE, (C), "*Examination of the Relationship Between True Halo and Halo Effects in Performance Rating*", Journal of Applied Psychology, N°5 ,1997, pp. 665-674.

² GREGURE, (G), "*A Field Study of the Effects of Rating Purpose on the Quality of Multi-Source Rating*," Personnel Psychology, N°56, 2003, pp. 1-21.

Conclusion of the second chapter

Through this second chapter, we could catch sight of the importance of the performance management that deals with the measurement and the maximization of the employee's performance, aiming at creating a well-established performance appraisal process that ensure cohesion between the objectives, goals and outcomes, besides the significant role of the appraisal methods that perform in describing and facilitating the analysis of the employees performance.

Since performance greatly impacts how individuals accomplish organizational goals, both performance management and performance evaluation models present valuable assets that organizations cannot disregard using them in order to identify and resolve the performance challenges that are considered as barriers which stand in the way of business success.

With this in mind, our next final chapter will be dedicated exclusively to our practical part, dealing with the research methodology aspects used in our study.

**Chapter 3: The impact of
compensation management on
employees' performance**

Chapter 3: The impact of compensation management on employees' performance

Introduction of the chapter three

The first two chapters gave a good theoretical understanding of the compensation management on one hand and the performance management on the other. We will now implement a more convenient method to identify the link between the two variables and derive the impact of compensation management on the employee's performance of "FADERCO SPA" (joint-stock company).

This chapter will be divided into three sections, the first will present the company in which we did the internship, the second is reserved for the presentation of the methodology of research, and the final section will focus on the presentation of results and an analysis of the interview we conducted with a set of suggestions and recommendations.

Section 1: presentation of “FADERCO”

This section will focus on presenting the host organization in which we did our practical internship. This presentation comes from several internal company documents.

We did our practical training in the production unit of “FADERCO” (les Eucalyptus), an internship that allowed us to compare the theoretical notions that we acquired during our training with practice in the labor market.

“FADERCO” is an industrial joint-stock company specialized in the production of hygienic products with absorbent mattresses (personal hygiene), in particular feminine hygiene, infant hygiene, cotton drifts as well as sheet hygiene products. The company is active in sectors of the hygiene articles market.

The company “FADERCO” created in 1986, is a joint stock company deployed on three sites of production employing more than 1,800 people. It is recognized for its entrepreneurial spirit but also to be the pioneer in the hygiene sector in Algeria.

1 The history of the company

“FADERCO” is an Algerian, family owned company and industry leading manufacturer of diapers, kitchen towel and other tissue products. It all started with cotton swabs and feminine care, which were the first activities launched in 1986.

It all started with cotton swabs and feminine hygiene which were the first activities developed in 1986. “FADERCO” is now the national leader in feminine hygiene with a wide range of 14 products to ensure the daily comfort of 12 million women.

In 1988, the company started the production of cotton-derived products (cotton swabs and tampons) under the “COTY ‘LYS” brand.

“FADERCO” continued to expand with the introduction of baby diapers in 2000, making them accessible to all. Its baby diaper brands now make the company lead the market with over 820 million diapers produced each year.

In 2004, the company extended the “AWANE” feminine hygiene range to 11 references, and “BIMBO” became a brand of all diapers for babies.

In 2009, the company increased the production capacity with the opening of the new Oued S'mar site. Also reinforcing the production capacity of diapers for babies with the launch of the "BIMBIES" and "DADA" brands.

Also, in that year the company changed its legal status from a limited liability company (LLC) "Sarl FADERCO" to a joint-stock company "FADERCO SPA". In the end of the year the company launched the "Uni-form brand", specializing in incontinence products for adults and bed sheets; three years were indeed enough for the company to achieve 100% national coverage for adult incontinence.

In 2010, implementation of a quality management system certified ISO 9001 version 2008.

This long-term thinking has also pushed us to produce locally, since 2015, the pulp needed for the processing and production of the majority of the company's products called "parent reel" is produced locally. Since its creation in 1986, "FADERCO" has had only one goal: to place the customer at the heart of its concerns.

"FADERCO" is today a major player in the national industry and personal hygiene in particular. The company has grown with sustained growth over the past 34 years. Today, with over than 1,800 employees, eleven brands in seven business areas and two subsidiaries, "FADERCO" continues its adventure and continues to bring its quality products to all.

Concerned with being closer to its consumers, "FADERCO" places logistics and distribution on its of major priorities. For this, in 2011 the firm created a company specializing in distribution, Difex, in order to meet the growing needs of consumers while continuing the group's natural momentum towards greater proximity. Difex thus has four distribution platforms in Algiers, Sétif, Constantine and Oran. It therefore covers more than 25,000 points of sale while employing more than 350 people.

"Our Difex subsidiary's mission is to deliver our products throughout the country and allows us to be closer to consumers."¹. While the "WARAK" production site specializing in the production of cellulose insulation (pulp paper), was created in 2015; "FADERCO" took the initiative to create the "INJAZAT" subsidiary the same year, specialized in the realization and management of building projects for "FADERCO".

¹ Head of distribution at "FADERCO", Internal documents

2 Organization

FADERCO, a diversity of men and women, they define their company strength. A pool of talented and competent employees all dedicated to the well-being of consumers. A new generation constantly backed up by thirty-four years of expertise that passes on FADERCO's culture. Therefore, they only develop confirmed and determined teams in all departments of the enterprise.

FADERCO currently employs over 1800 people, a number that is constantly growing. These employees were divided into three factories located in Algiers and Sétif, their factories and their offices are also evolving in order to allow all of their teams to work together in the best possible frame.

3 Economic activity

For FADERCO, the heart of its business is the concerns of Algerian families, offering products that make their daily lives easier. Its strength lies in its proximity to consumers but also with society as a whole. In other words, FADERCO is a responsible company, concerned about its impact on the environment in which it operates.

Their civic actions thus focus on helping children and supporting sport, the basis of its “Social Responsibility” policy.

The range of FADERCO varies according to age and the needs of the Algerian market, FADERCO carried out a large investment in the manufacture of cellulose fabrics (Paper) under the name “WARAK”, and also FADERCO is known by the “BIMBIES” and “COTEX” brands, products of everyday usage, at all ages.

Single-usage products for hygiene, health and wiping are essential in our everyday life. We use them every day: at home, in business, at school, in places of relaxation, restaurant, hospital...etc. Single-use products for hygiene, health and wiping protect, absorb, wipe off. They ensure the best possible hygiene by their characteristics of design and manufacture, and the fact of being used only once since these products are disposable.

Usually, these products are used in contact with the skin. Some are put occasionally in contact with food. Others are intended for protection or wiping objects. Finally, others meet optimal hygiene requirements (e.g. medical usage).

Despite their plain simplicity, single-usage products for hygiene, health and wiping are the result of research and development thanks to the way they adapt in the constantly changing consumer needs and therefore their contribution in improving the quality of life.

Each of the company's products has its functionality:

1) Hygiene paper products:

Toilet paper, household paper towels, handkerchiefs, tablecloths, placemats, napkins, paper hand towels, other wiping items including industrial hygiene products, medical examination sheets.

Hygiene paper products are mainly composed of cellulose insulation products (“tissue” products). They are used for personal hygiene or for the cleanliness of surfaces or items. They come in individual formats grouped in packages, cases or boxes, or in rolls and spools.

2) Absorbent hygiene products:

- Baby diapers
- Feminine protections (tampons, sanitary napkins, panty liners), woman-tampon,
- Protections for incontinence (anatomical protections, full diapers, absorbent briefs, straight diapers, absorbent mattress pads, etc.).

Absorbent hygiene products include an absorbent pad, usually made up of defibrated wood pulp (fluff pulp) with super-absorbents, associated with other materials such as plastic, nonwoven, elastic...etc. These products are, for the vast majority of them, products worn directly on the body.

Figure n°III.1: FADERCO's products



Source: internal documentation

4 Fabrication process

a) Hygiene paper products

A cellulose insulation product (tissue product) is manufactured using a suitable paper process which consists of manufacturing cellulose insulation and then transforming it into the final product.

b) Cellulose insulation

Cellulose insulation is obtained from a specific papermaking process consisting of mainly to mix cellulose fibers from wood or fibers from paper collected, with water to obtain a very diluted paste which will be distributed on a large canvas.

c) Processing into the final product

The parent reel is transported from the production site to the processing site. Most of the time production and processing take place at the same manufacturing site.

From the parent coils (used whole or previously cut), we assemble conventionally several thicknesses of cellulose wadding according to various methods which give properties specific to the final product that will be obtained.

The whole is cut to the width of the final product and each individual sheet is formed or pre-cut according to the product.

In rolls or packages, formed on an appropriate machine and then packaged, grouped and palletized for transport to the distributor.

d) Making absorbent hygiene products

Absorbent hygiene products are manufactured on dedicated sites using a technology assembly of components, using an automated online manufacturing process of the material first to the finished packaged product.

Generally, absorbent hygiene products are made of synthetic materials (polyethylene, polyester, polypropylene or a mixture) and also cellulose fibers (from wood derivatives, or cotton). These fibers can be transformed to super-absorbents material. That is what constitutes the absorbent mattress (or core) of the product. The choice of components varies depending on the type of product and desired characteristics.

Figure n°III.2: Tissue machine



Source: google images

5 **The organization of the company:**

The Organizational chart of FADERCO (see appendix)

The structure of the company "FADERCO" consists of a general management with security department, Three (03) central departments:

- Marketing and supply department
- General administration and finance department
- Production department

Section 2: research methodology

This section outlines the steps and procedures followed in conducting the research. To be precise, this section presents the procedures to be used in selecting research subjects, defining the research structure, developing the research instruments, gathering and analyzing data, and making meaning of the data that is collected.

Therefore, the objective of this section is to present our empirical study on compensation management and its effect on performance management within the FADERCO company and to show its contribution to the development of the company.

First of all, the research objectives and hypotheses shall be recalled. Secondly, we will introduce the process of data collection and finally, we will outline the method of processing results.

Furthermore, our research is limited to the study of the impact of compensation management on the performance of employees in a company. This implies to bring together the senior management of the company in question thus they will our person of interest for interviews.

1 Definition of research methodology

Schwardt defines research methodology as “*a theory of how an inquiry should proceed. It involves analysis of the assumptions, principles and procedures in a particular approach to inquiry.*”¹, according to Schwardt², methodology explicate and define the kinds of problems that are worth investigating; what constitutes a researchable problem; testable hypotheses; how to frame a problem in such a way that it can be investigated using particular designs and procedures; and how to select and develop appropriate means of collecting data.

2 Research objectives and hypotheses

The object of the research reflects the researcher's knowledge project. It is through this object that he tries to better understand and build a reality. Our intention is to answer the following primary research question:

¹ SCHWARDT, (T), “*The SAGE Dictionary of Qualitative Inquiry*”, 3rd edition, University of Illinois, Urbana-Champaign, US, 2007, p. 197.

² Ibid

“What is the impact of compensation management on employees' performance and motivation?”

From this primary question, other secondary questions shall be answered too; namely:

- Does the compensation management have an effect on the employee's performance?
- What is the relationship between incentives, reward and the performance of human capital?
- Are there significant issues associated with compensation management?
- Is there a relationship between performance management and compensation management?

In order to answer our primary research question and the secondary questions that result from it, we have made the following initial hypotheses:

Global hypothesis: *“There is a significant relationship between compensation management and employees' performance.”*

Secondary hypotheses:

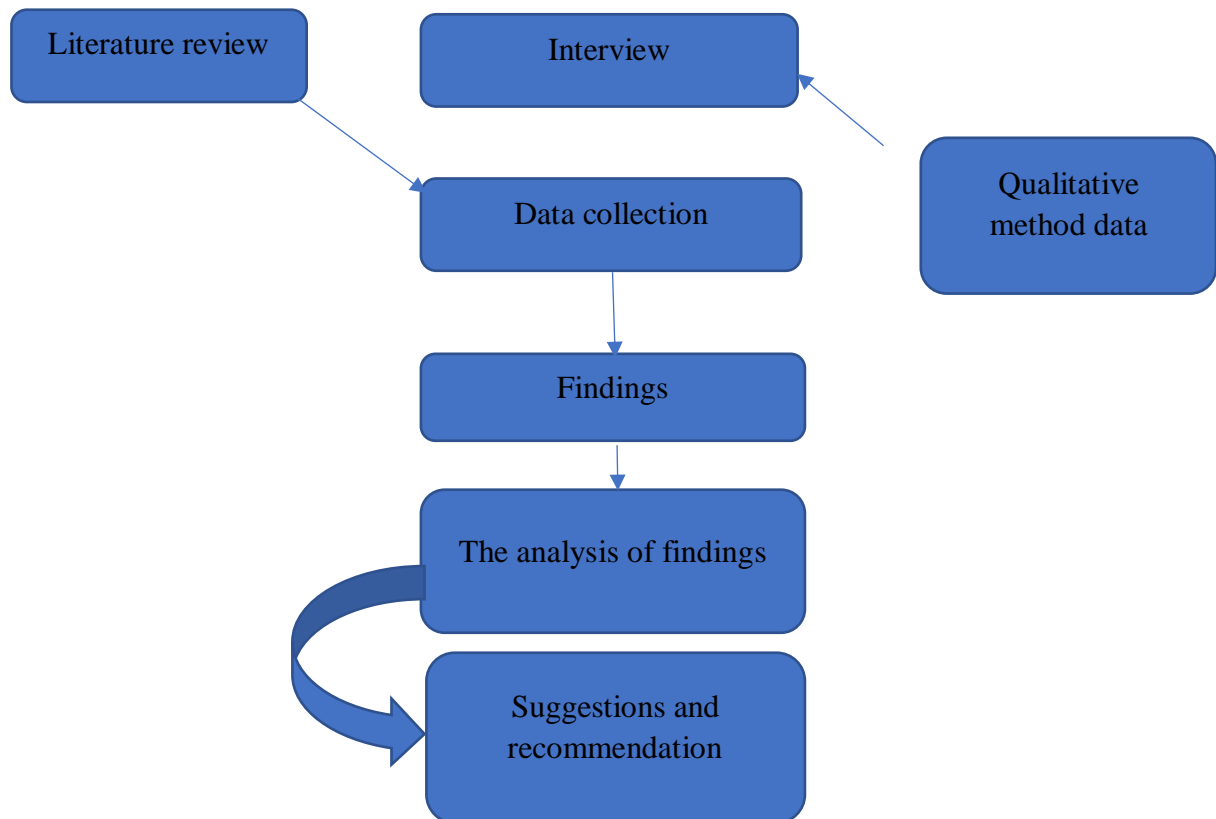
- H1:** There is a significant relationship between incentives, financial rewards and human capital performance.
- H2:** There are some significant issues associated with compensation management.
- H3:** There is not a significant relationship between performance management and compensation management.

To this end and for the reason of recent pandemic (COVID-19), we could only choose to conduct a qualitative study, regarding the actual situation and for distance related reasons.

3 Research Structure

To further our understanding of how compensation management can influence employees' performance, the figure below presents the research strategy set to answer the research questions.

Figure n°III.3: Research strategy



Source: adapted from SCHWARDT, (T), *“The SAGE Dictionary of Qualitative Inquiry”*, 3rd edition, University of Illinois, Urbana-Champaign, US, 2007, p. 163

The Figure shows the research methodical process. At the beginning of this study, in the literature review we discussed and explained the relevant theories and concepts of compensation management, performance management and performance appraisal. Secondly, we were obliged to choose the qualitative research approach regarding the circumstances of study. Our data collection process includes two parts, the first part is the literature review, and the second one is an E-interview with three of HR employees of FADERCO company. Finally, we shall analyze the interviews' answers we obtained and present suggestions to the company on how to improve its employees' performance using compensation and its management.

3.1 Qualitative research method:

Qualitative approach is according to Patton¹ “*an approach that uses a naturalistic approach which seeks to understand phenomena in context-specific settings, such as real world settings, where the researcher does not attempt to manipulate the phenomena of interest...it is any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification, but instead the kind of research that produces findings derived at from real-world settings where the phenomena of interest unfold naturally.*”

The aim of qualitative research is to promote better self-understanding and increase insight into the human condition. Unlike quantitative research which has, as its objective, collecting facts about human behavior that will lead to verification and extension of theories, qualitative research emphasizes the improved understanding of human behavior and experience. Also, it makes it possible to answer the questions “how? and why?”.

qualitative approaches, according to Weinreich is that, they generate rich, detailed data that leave the participants “*perspective intact and provide a context for the phenomena being studied.*”² A disadvantage of data collection in the qualitative approach is that it may be labor intensive and time consuming.

Table n°III.1: Qualitative method key points

Qualitative research
<ul style="list-style-type: none"> • The aim is complete
<ul style="list-style-type: none"> • The researcher may only know roughly in advance what he/she is looking for
<ul style="list-style-type: none"> • Recommended during earlier phases of research projects
<ul style="list-style-type: none"> • The researcher is the data gathering instrument

¹ PATTON, (M), “*Qualitative research and evaluation methods*” 3rd edition, Sage, Thousand Oaks, Canada, 2002, p. 56.

² <https://www.social-marketing.com/research.html> (consulted on 25/08/2020 at 9:13 am)

<ul style="list-style-type: none"> • Qualitative data are richer, time consuming and less to be generalized
<ul style="list-style-type: none"> • Data are in the form of word, pictures and subjects
<ul style="list-style-type: none"> • The researcher tends to become subjectively immersed in the subject matter

Source: adapted from NEVILL, (J), “Qualitative versus quantitative research: key points in classic debate” <https://idoc.pub/documents/qualitative-versus-quantitative-research-jlk9v16xj045> (consulted on 27/08/2020 at 11:22 am)

4 Data collection process (interview-guide and interview process)

This part clearly presents the data collection process. We used both primary and secondary data sources for the purpose of empowering the content of our entire research work.

4.1 Interviews

There are multiple techniques used within the qualitative study in order to collect the information required for a research, namely: structured interviews, semi-structured interviews, and unstructured interviews.

4.1.1 Typology of interview structures

4.1.1.1 Structured interviews:

Structured interviews and survey interviews occupy one end of continuity and are essentially real-time versions of questionnaires. The metaphor of interaction at this end of the continuum is mining. miner When answering a series of questions, the interviewer will relentlessly dig out the facts. “*Knowledge’ is waiting in the subject’s interior to be uncovered, uncontaminated by the miner*”.¹

4.1.1.2 Semi-structured interviews

Semi-structured interviews aim to balance the organization and framework of a structured approach with spontaneity and flexibility of unstructured interviews. Researchers prepare questions and/or discuss topics in advance and generate follow-up questions during the interview.

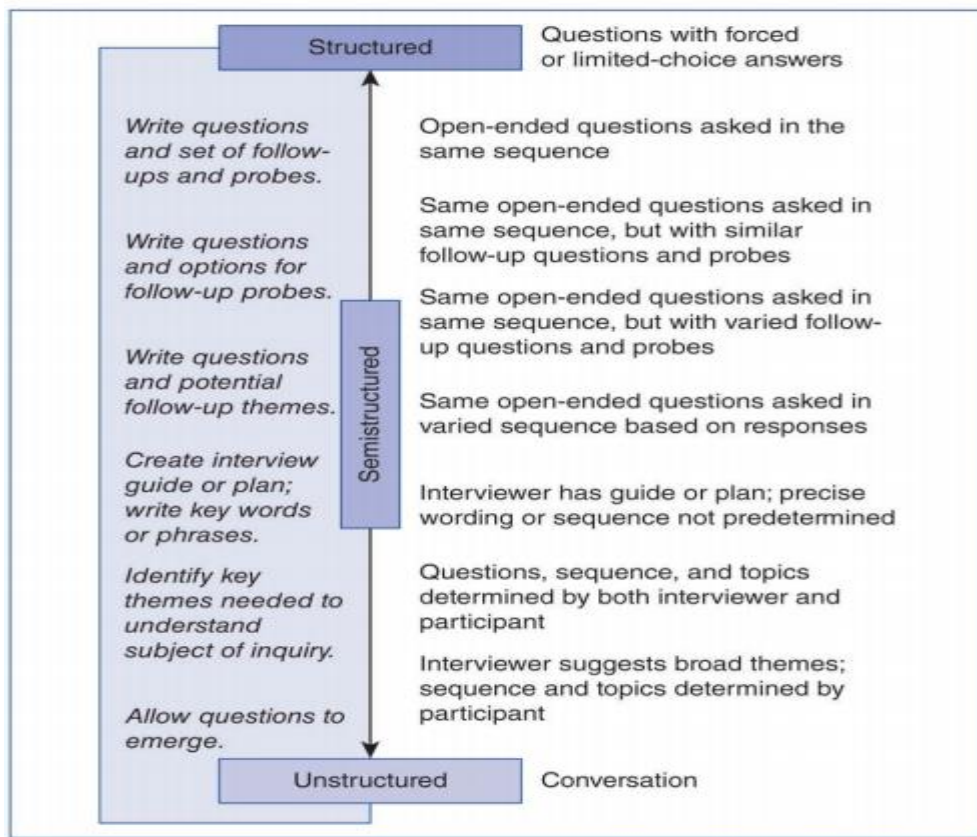
¹ KVALE, (S). (2007). “*Doing interviews*”, Sage, Thousand Oaks, Canada, 2007, P:19.

In a more organized standardized open-ended interviews, interviewers may ask the same open-ended questions in the same order but there are various follow-up questions and inquiries.¹

4.1.1.3 Unstructured interviews

According to Patton², in an unstructured interview, the question comes from the context and the circumstances of the event Interview. Unstructured interviews may be planned discussions in formal interviews. Or, it can be naturalistic, which means it takes place where the participants live or work, combined with observations from other fields or participants. The data collected from unstructured interviews are from different from person to an another, and the same person may be different in multiple interviews occasion

Figure n°III.4: Typology of interview structures



Source: SALMONS, (J), *“Qualitative Online Interviews: Strategies, Design, and Skills”*, Sage, Thousand Oaks, Canada, 2014, p. 79.

¹ Ibid

² Patton, (M), *“Qualitative research and evaluation methods”* 3rd edition, Sage, Thousand Oaks, Canada, 2002, PP: 102-109.

4.2 Interview guide

The Interview-Guide that is used in this study is a structured interview type. This means that the interviews were fully planned, all questions and themes were already set, and the orders of the questions were respect as they are written in the guide. The interviewer considers only the questions that are existed in this interview.

Our study adapted this exact interview type in order to target the specific information and experience that we are investigating. It will enable us to gather the correct information that we exactly need.

The purpose of the interviews was to gather information and detailed experiences about the effect of compensation on employees' performance and motivation the managers points of view.

The interview-guide is structured into four main axes; each axis provides us specific information related to compensation management and performance management; those axes are presented as below:

-Axis 1: the importance of compensation management on employees' performance.

This axis contains two main questions that are designed respectively for measuring the role of compensation when it comes to employees' performance and how a proper compensation may influence employees' performance from the manager perspective, since those two concepts play a very important role in managing an industrial workplace.

-Axis 2: Employees awareness of compensation packages and satisfaction with management of compensation packages in policy manuals.

In this axis, compensation packages available at the host organization has been investigated, besides the level of awareness of compensation packages for employees' is also mentioned, and finally, we investigated the employees' satisfaction about their compensation packages according to their managers, this axis contains four main questions.

-Axis 3: Challenges in the management of Compensation.

Through three questions that compose this axis, we tried respectively to measure the challenges facing a compensation management, and the way of HR managers deals with them.

-Axis 4: Performance management

Integrating this axis in the interview guide will enable us to have an idea about the performance appraisal, and how important is the review and the feedback.

Selecting which performance method is to be applied is also an important concept to investigate about, by asking a question that enables us to detect the tendencies of the company in terms of this major concept.

5 Sampling and data collection:

The assessment of the overall impact of compensation on the performance of FADERCO's employees has presented many challenges, the difficulty lies in the access to information, it was an enormous obstacle. For this reason, we initially chose to interview three employees in HR department with a strong relation to our study, the first one is the HR manager of FADERCO production unit, the second one is the HR development manager and the third one is the line manager.

It is only appropriate to mention that due to distance obstacles, the interviews with the HR manager and the development and line managers were through a video call using ZOOM platform, the interview guide was firstly sent and read by email, then we effected the interviews according to the following schedule.

Table n°III.2: Interviews scheduling

The interviewee's occupation	Interview date	Interview time	The duration of the interview
HR manager	03/08/2020	11:16 AM	19 min
HR development manager	15/08/2020	10:33 AM	21 min
Line manager	19/08/2020	10:46 AM	16 min

Source: the researcher's work

Section 3: Analysis and findings

After initiating interviews with FADERCO's HR manager HR development manager, and the line manager we assembled our findings and results into the following major point, this section presents a summary and conclusion of the findings of the study and recommendations which are based on the findings.

1 The role of compensation in an organization

All respondent emphasized that every business organization must get good compensation, thus this gives employees a reason to insist on using the company, therefore the main objective of any HR manager is to retain talented employees through a well-designed compensation policy.

We summed the three respondents' answers in the following points:

- It attempts to give appropriate refunds for employees' contributions to the organization.
- It discovers positive control over employee efficiency and motivates them to perform better and meet specific standards.
- It lays the foundation for employee happiness and satisfaction, thereby restricting labor mobility and giving a stable organization.
- It enhances the job evaluation process, thereby helping to establish more realistic and achievable standards.
- It aims to comply with various labor practices, so it will not lead to conflicts between employee unions and management. This establishes a peaceful relationship between employer and employee.
- It stimulates employee morale, efficiency and a cooperative environment, and ensures employee satisfaction.

In short, we can say that compensation management is needed because it can encourage employees to perform better, show excellence, and provide the employees with the options for growth and development that they deserve.

2 Effective compensation management

Respondents were asked again to indicate their level of agreement with how well-designed compensation may influences employees' performance, the three respondents agreed that

compensation will enhance employees' performance if it is properly handled, the HR manager stated that “...in addition to performance-based salary increases, bonuses and incentives are the most common ways employers associate salary with performance.”

For FADERCO's management, performance pay is an equation in which certain parts of employee compensation are related to their performance according to certain established criteria (whether it is a personal objective, a team objective, a business objective or a combination of the two). In the equation, it is crucial to maintain balance.

when the pay performance equation is out of balance, it can lead to employee dissatisfaction: “In terms of performance, employees who are underpaid will probably face an amount of pressure and will not be able to find a salary that they deserve”, says the HR development manager.

Compensation is a tool used by management to motivate employees to improve morale and reduce absenteeism and Improve organizational strength. And also, according to the HR manager at FADERCO, “the main purpose of compensation is to attract and maintain efficient and effective human resources and motivate them as well”

3 Employees awareness of compensation packages

Respondents were asked to indicate to what level they were in agreement or disagreement to this statement “all of the company's employees are fully aware of their compensation packages” which borders on the fact that FADERCO's employees were aware of the compensation policy of their place of work in the conditions of service manual and also their aware of how the compensation packages enshrined in the policy were administered. We asked this question to determine whether they really knew about the management of the policy and therefore the packages available at FADERCO.

Two of the three respondent agreed on that all employees are fully aware of the company's compensation policy, and thus the available packages, “...I think every employee in FADERCO clearly knows his/ her compensation packages, thus it is attached to his work contract, actually it is explained in details” says the HR manager, the line manager had another thought about this matter, he mentioned that there is some employees are not aware of the benefits they are entitled to and their lack of knowledge causes them to make requests for more benefits to meet their needs.

4 Identifying the compensation packages available at FADERCO

As far as identifying available compensation packages are concerned, and desiring to know about the ways in which they are managed in FADERCO, we had already consulted the collective bargaining agreement of the institution which was provided by the HR department and also with the data collected from interviews with the members of the management, we summed up the available compensation packages at FADERCO in the following points:

4.1 Personal vehicle allowance:

The worker occupying a workstation that requires the use of a vehicle, which can be made available to him by the means the employer benefits from it, when he/she regularly uses his personal vehicle in the workplace, from the performance of his or her duties, a car allowance is provided to him/her, The maximum amount of the allowance for the personal vehicle agreement is set at 3,700 DA.

Any worker required to use his/her personal vehicle for the purposes of service, beyond a radius of 50 km, benefits from a mileage allowance compensation for the expenses incurred, the amount of which is set at 8.00 DÀ (Eight Dinars) per kilometer travelled on behalf of the company.

4.2 Individual productivity allowance

The individual performance bonus is awarded to each worker for his participation in the achievement of the objectives or work program assigned to it within his collective. Individual performance is assessed using a rating, it is applied monthly.

the rate is allocated to all employees who have made a normal effort during the period under review. The maximum rate is set at 10% for the employees that has made exceptional efforts, the amount of the performance bonus individual is calculated from the basic salary of the job.

4.3 Extra Duty Allowance (Overtime allowance)

This allowance is paid to employees who belong to the middle and junior staff categories. For some reason, these employees must work outside of normal working hours, such as weekends and holidays. If additional tariffs are repeatedly generated, this allowance is paid to them every month. However, managers and senior staff will receive allowances called liability allowances,

which should be responsible for any additional duties they perform outside of normal working hours and are paid monthly.

4.4 CNAS pension scheme

As every private company, the Algerian government obliges it to pay pension scheme with national social insurance fund (CNAS: 'Caisse Nationale des Assurances Sociales'), The employer at the end of every month contributes a specific amount of the employees' salary in addition to a contribution by the employee themselves. The total is then lodged with the CNAS, with the National Fund of Retirement (CNR: 'Caisse National des Retraites') the employees' social security contribution aimed towards providing basic income during the employees' retirement from active service after working a specified number of years to qualify.

4.5 Maternity Leave

Female employees on delivering medical certificate from a certified medical practitioner are entitled to a period in 14 weeks as maternity leave and 1 hour per day off work for at least 12 calendar months to nurse their baby. This is mandatory by law and is adhered to at FADERCO.

4.6 Nuisance allowance

The nuisance allowance concerns production and maintenance workers. It is calculated as follows:

- Nuisance allowance 2nd degree danger: $13 \text{ DA} * \text{number of hours worked}$.
- Compensation for nuisance 2nd degree dirt: $15 \text{ DA} * \text{number of working hours}$.
- Compensation for nuisance 1st degree dirt: $8 \text{ DA} * \text{number of working hours}$.

4.7 Children education allowance:

The exceptional allowance known as "children education" is granted to those receiving family allowances, it is paid every year; the condition for this allowance that children age is between 6-17 years, the amount of this allowance is 400DA per child.

4.8 Vacation leave:

All employees are entitled to paid vacation leave.

4.9 Professional experience allowance (PEA)

This allowance is intended to sanction loyalty to the company as well as the seniority acquired by the worker with another employer organization, the professional experience allowance is expressed as a rate based on the basic salary. It is provided annually throughout the worker's professional career and nonetheless the number of years of spent at the company.

Table n°III.3: Professional experience allowance rate at FADERCO

Seniority	PEA rate augmentation
2 nd year – 6 th year	1% of basic salary
6 th year – 11 th year	1.5% of basic salary
12 th year – 16 th year	2% of basic salary
17 th year – 21 st year	2.5% of basic salary
22 nd year – 26 th year	1.8% of basic salary
27 th year – 30 th year	5% of basic salary

Note: the maximum rate is 64%.

Source: internal documents

4.10 Advancement on merit

In addition to promotion, merit-based promotion is instituted which periodically depends on the valorization of:

- Professional experience in the workplace
- The worker's behavior
- The worker's assiduity

-The worker's discipline

The system for assessing this progress and the way it is evaluated is based on valuation must be defined by the company agreement or collective agreement.

4.11 Sick leave

Employees who during the course of their duty fall sick and are not able to come to work are kept on payroll for a maximum of 1 year where they receive various levels of their salary while not at post until the years expires.

4.12 Free training workshops

Employees are occasionally given refresher training in various skill areas pertaining to their job. These trainings are organized in-house or sometimes employees are sponsored to attend ones that are organized by recognized bodies in the training industry. It is a policy of FADERCO, however that every employee in a year will have some form of required training.

- For the fifth question, the three respondents did not add any other compensation packages that are not mentioned in the interview guide.

5 Employee satisfaction towards compensation packages

The three respondents agreed that compensation packages available at FADERCO are active enough to attract the best talent. An organization's salary is lower than that of other organizations in the same industry, and it may not be able to attract the best candidates, resulting in a decline in overall company performance.

"...about employee compensation management, most managers are busy asking: 'What do I have to pay to?' That is a hard question to answer. A better question should be: 'What do I want my compensation package to say?'", the HR manager and the HR development manager emphasized that the levels of resignation in their company are relatively low, that leads to the conclusion that they are satisfied of the company's compensation packages.

6 Challenges facing compensation management:

"...managing your employees' compensation is more than just providing salary and cost of living increases" says the HR manager. In many organizations, employee performance related to

organizational goals is the basis of compensation, whether due to economic difficulties, technological changes or other business factors, human resources departments are facing challenges in effective compensation management, we summed all of the respondents' answers in the following points:

- Issues related to compensation in the organization are not effectively communicated to employees at all levels in the organization.
- Employees do not have a platform to communicate with management on compensation issues, so they are not satisfied with the compensation management policy formulated by the management.
- There was no forum to discuss issues of compensation with the employees, employees have to personally inform the manager about his/her concerns.
- The policy manuals that contain the compensation packages were not readily available to the entire populace.
- There was employees training for the direct implementers of the compensation policy and packages, they are only discussed before assigning the job's contract.
- There was very minimum or no employee involvement in the formulation and implementation of compensation packages.

Relatively, the HR management at FADERCO has been properly handled, for the reason that challenges facing the management are quite modest, due the fact they have a well-designed compensation management. Nevertheless, the absence of a platform for compensation concerns may be an issue, and the findings showed us that it still requires improving.

For FADERCO's managers facing compensation issue is a principle matter, if overcame, it will boost the employees' satisfaction, and thus their performance shall be enhanced, and that is a major key point for the HR management.

7 Objectives setting and follow-up in performance management

Setting goals can enable your organization and employees to better measure their progress, thereby helping them to stay motivated and responsible. The line manager reported that setting objectives is a useful way to understand how the role of each employee affects the overall success and goals of your organization. *“It can put out weight of an employee's shoulders if he knows exactly what he is expected to achieve”*, according to him, goal setting can help relieve

employees' daily stress. Employees are often bombarded with projects and tasks, but when they know their goals, they can prioritize and focus better.

“By setting goals, you can also set a deadline for completing the goals. These factors can help employees better manage time, complete tasks on time and provide faster results.” Says the HR manager, we can sum from both of their statement that the goals setting is an indispensable instrument for performance management and thus any HR management should focus on it.

For the performance follow-up, the HR manager clearly emphasized that when it comes to performance follow-up, the management need to set clear goals for specific elements (such as productivity, ability, attitude, skills, or expertise). In addition to aligning the goals with the company's overall business plan, it should also ensure that these goals are achievable and measurable, so that employees don't expect too much.

According to the line manager, the follow-up meeting is an appropriate time to assess the progress of the employees and the progress made. Set a clear agenda for the content discussed in the meeting so that employees know exactly what they will be dealing with, *“...it is as much important as assessing performance”*.

8 Performance appraisal methods currently utilized at FADERCO

The respondents answer about the methods of performance currently applied at FADERCO, is limited to the classic appraisal method, namely rating scale method, as mentioned in the second chapter, consists of comparing an employee with all other employees for value ordering. Employees are ranked from highest to lowest, or from best to worst.

During this process, the employee with the highest measured characteristic and the employee with the lowest characteristics will be indicated. Then, the second highest and second lowest between the next highest and lowest until all employees to be rated are ranked. Therefore, if ten employees are to be evaluated, there will be ten levels from 1 to 10.

Nevertheless, this method is somehow an aged method, it has some limitations, as mentioned in the following points:

- It does not state how much one person is better than another.

- When rating large numbers of employees, the task of ranking individuals is difficult when the population of appraisal is relatively large.
- It is difficult to compare a person with other people with different behavioral characteristics, in order to correct these deficiencies.

The HR department managers, emphasized that they have studying the application of modern appraisal method (e.g. management by objectives; MBO).

9 Dealing with underperformance

All of the informants were of the opinion, that intervention by having a discussion about perceived underperformance situation, where the employee seemed not being able to reaching the targets was set to achieve.

The respondents had conducted such discussions by ensuring, that the employee had properly understood the objectives, and therefore finding solution for his underperformance situation, the all had dealt the underperformance issue of their subordinate themselves, the HR manager said, *"...I have been dealing with underperformance all my career, it is not easy, some employees can be set to the proper situation and others cannot"*.

For employees that do not accept their situation or refuse critics from their managers, the respondents had a clear idea of what constitutes as underperformance, in the employment legislation, a bare underperformance of the employee is not normally considered as proper and weighty cause for ending the employment contract, which as such may be considered as termination reason. However, the respondents did find, that underperformance could be used as a termination reason.

10 General synthesis:

Based on our research and the results of interviews with the HR manager, HR development manager, and the line within the host company, we made the following observations:

-The findings from the interviews showed that FADERCO prioritizes the compensation of its and it has the same importance as other management concerns (production, marketing, etc.) or even more.

- The study revealed that issues concerning compensation were not communicated effectively through FADERCO HR management and employees also did not have a forum to be heard on the issues they have concerning their compensation packages and their management; employees therefore were not particularly involved in the formulation and implementation of policies concerning compensation in the company.
- The study has revealed that there are some compensation packages that are enshrined in the manuals on compensation of FADERCO, but some employees are not aware of these compensation packages which they are entitled to.
- The study showed the fact that the compensation manuals were readily available to the employees for their reading and reference, yet they did not ask for a copy of the manuals.
- The employees' satisfaction about their compensation packages at FADERCO is an adequate level, the study showed that the company has a minimum level of employee termination.
- The management in FADERCO utilizes the ranking method performance as the only method currently used by its managers.
- We concluded that the policy of dealing with underperformance is quite strict, thus the company retains only talented and disciplined work force.
- The study showed that FADERCO has the need of a performance appraisal platform, thus it can make the employees performance assessment much easier.

11 Recommendation

This study is designed to elucidate effect of compensation management on employees' performance; it may not have as much explanatory power as other previous studies thus for the distance and the lack of contact with the host company. Yet, while doing the research we found that it is necessary to highlight some humble suggestions as follow:

- Elaborate and plan an employees' training for compensation packages, it will help employees with understanding compensation packages they have.
- Implicate a platform for compensation employees concerns, thus employees can express themselves anonymously and thus everyone may be a part of designing their own compensation management.

-Management should prioritize the implementation of a performance management system to measure the output of employees and that should be used as a tool to award the compensation packages to employees. The researcher believes this will ensure fairness.

-It is recommended communication should be developed to cover issues that have to do with compensation by involving the various teams' managers in the formulation and implementation process of policies concerning compensation.

-Management should implicate more modern methods of performance appraisal, thus the method they have in current use is one of the oldest appraisal methods, by implementing new methods of assessment, it shall reduce an amount of errors and time during the appraisal and follow-up.

-The company must pay more attention to performance-based pay (performance-based incentives), in the reason they have an enormous effect on motivating the company's work force.

Conclusion of chapter 3:

In the end of this chapter, after conducting a presentation of FADERCO, the host company we did our internship in, besides, performing the adequate research methodology for our study by applying a qualitative research method specifically on the three experienced manager of the company, getting from them essential information which enabled us to make more precise qualitative research method exclusively on managers, integrating targeted questions that have been established based on our theoretical research, we were able to appreciate the effect of compensation management on motivating and retaining most talented employees.

Therefore, by comparing the different analysis issued from the interview guide, HR managers have witnessed certain performance issues that are essentially caused by the lack of modern ways of assessment in their performance management policy.

Finally, we modestly attempted, through the study we conducted and based on theoretical knowledge that we acquired during our university course, to propose feasible recommendations to deal with challenges facing compensation management.

General conclusion

General conclusion

As long as employees try their best in the right direction, the goals of the organization can be achieved. Therefore, they should be properly trained and paid reasonable compensation for their work, performance, service, etc. In addition to wages or salaries, the organization also provides various incentives, benefits and services to employees.

As being said, employees get paid from the company in exchange for completed work. and most people think that compensation and pay are the same, the fact is that compensation is not just monetary rewards provided by employers. Salary is a variety of forms of financial returns, tangible services and benefits employees get from work, the term “financial return” also refers to an individual’s basic salary as short-term and long-term incentives. "Tangible services and benefits" are like this insurance, paid holidays and sick leave, pension plans and employee discounts.

The perceptions of employees and employers on compensation are changing, focusing on the importance of compensation to employees and how it affects the investment in hiring competitive employees.

Therefore, compensation policies and structures must be attractive and adjustable to attract talents, motivate employees to play their hidden potential, emphasize the need for self-improvement, maximize their performance, retain the talented among them, because employees are the most valuable asset to an organization.

Nevertheless, even if this is not the only motivation for employees to work, they must be paid and paid appropriately, thus any unreasonable inequality or unacceptable low level of compensation will definitely cause great dissatisfaction among employees, and this will certainly lead to underperformance situation which none of management may resolve.

Thus, we have dedicated our research study to investigate the effect of compensation management when it comes to maximizing performance including; performance-based pay, incentives, financial and non-financial reward, in short, the whole elements existing in managing employees' compensation, that have a role in motivating employees to better perform, with the discussion of performance management and most common ways managers may assess their workers performance.

The work we have done represents the operationalization of all our theoretical and practical knowledge to answer our problematic *“What is the impact of compensation management on employees' performance and motivation?”*

The qualitative method utilized in our study is composed of the interview guide enabled us to confirm or refute our research hypotheses, in this regard we obtained the following results:

Hypothesis 1: There is a significant relationship between incentives, financial rewards and human capital performance.

The results of our research *confirmed* this hypothesis. Indeed, the finding of this study indicates that compensation is a tool utilized by management to increase employees' performance through incentives and financial rewards, they improve performance by increasing the value people assign to work goals, so that they make a firmer commitment to these goals and achieve them. management must provide meaning, rewards, communication and support to whom cultivate a sense of value.

Hypothesis 2: There are some significant issues associated with compensation management.

After the three interviews affected with managers at FADERCO, *confirmed* this hypothesis, we have found that every compensation management has serious issues, namely; performance-based pay, salary levels, bonus and incentive pay, financial and non-financial rewards...etc. Thus, dealing with compensation issues requires understanding of employment trends, experience and certifications in various positions and industries, negotiation skills, company budgets, and the bottom line of the organization.

Hypothesis 3: There is a significant relationship between performance management and compensation management.

Our findings in our research study have allowed us to *confirm* the third hypothesis, thus the overall goal of the compensation management is to ensure that the organization has the necessary money to incentivize the type of performance required to implement the business strategy. To this end, compensation management should be linked to the overall performance management strategy. Therefore, employees must understand your practices based on strict objective data, and maintaining a method of equal pay for equal work is essential.

After the analyzes carried out, we can conclude that compensation management have an impact on employees' performance, thus when properly handled it increases both employees' motivation and satisfaction, and that leads to a better performance.

Any scientific research in this field raises difficulties, which must continue to be overcome. In our case, the main difficulties that we encountered and deserve to be highlighted are on two levels. Indeed, the first reason is the lack of enterprise level resources.

The second reason is the recent pandemic (COVID-19), this type of subject requires both qualitative and quantitative research methods, nevertheless the access to the host company was impossible due to the lack of transport and company's policy about trainees in this particular occasion, and furthermore, most of those interviewed are focused on their work, so we had been trapped in not being able to have long interviews and finding time was quite strenuous. In this health crisis, our task had been relatively complicated.

The research we conducted in preparing for this modest work is still incomplete, but we hope that the results obtained will be the starting point other additional work in the future.

We invite future researchers who wish to explore this subject in greater depth to address several possible research approaches, such as:

- Dynamics of compensation management in industrial companies.
- The impact of the total reward system on employees' performance.

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Appendix

Appendix N°01: The interview guide

This interview guide is part of a research project, for the preparation of a graduation thesis in order to obtain a Master degree in Commercial Sciences, major: Human resources management (HRM), from the School of Higher Commercial Studies HEC Alger. The theme is “The impact of compensation management on employees' performance”, case study: FADERCO (Eucalyptus, production unit) .The questions do not enable to identify the names of any participant, therefore this interview guide is anonymous and we assure you that the answers you will provide, will be used for purely scientific and educational purposes. We will be grateful for your attention to answer this interview guide duly and fully.

Part one:

Presentation of the interviewee:

- 1) What position do you hold?
- 2) How long have you been in this position?
- 3) What are your principle missions / activities?

Part two:

Axis 1: Importance of compensation management on employees' Performance.

1. What role do you think compensation plays in your organization?
2. What is your opinion on how effective compensation management influences employee performance?

Axis 2: Employees awareness of compensation packages and satisfaction with

management of compensation packages in policy manuals.

3. To what level do you agree with this statement: “all of the company's employees are fully aware of their compensation packages”?

4. Which of the following compensation packages exist in your organization and that employees are aware of: *(please tick (✓) as many as are applicable)?*

- | | |
|------------------------------------------|--------------------------------------|
| 1. Personnel vehicle allowance [] | 18. Study leave [] |
| 2. Collective productivity allowance [] | 19. Children education allowance [] |
| 3. Individual productivity allowance [] | 20. Long service awards [] |
| 4. Retirement benefit package [] | 21. Rent loan [] |
| 5. Career development opportunity [] | 22. Free training workshops [] |
| 6. Vacation leave [] | 23. Sick leave [] |
| 7. Professional experience allowance [] | |
| 8. Nuisance allowance [] | |
| 9. Maternity leave [] | |
| 10. Advancement on merit [] | |
| 11. Extra duty allowance [] | |
| 12. Provident fund [] | |
| 13. Performance allowance [] | |
| 14. Rent allowance [] | |
| 15. CNAS pension scheme [] | |
| 16. Casual leave [] | |
| 17. Free medical services [] | |

5. Please provide a list of other compensation packages available in your organization which are not listed in the above.
6. To what level you think that employees are satisfied with the compensation packages they have and their management in your organization?

Axis 3: Challenges in the management of compensation.

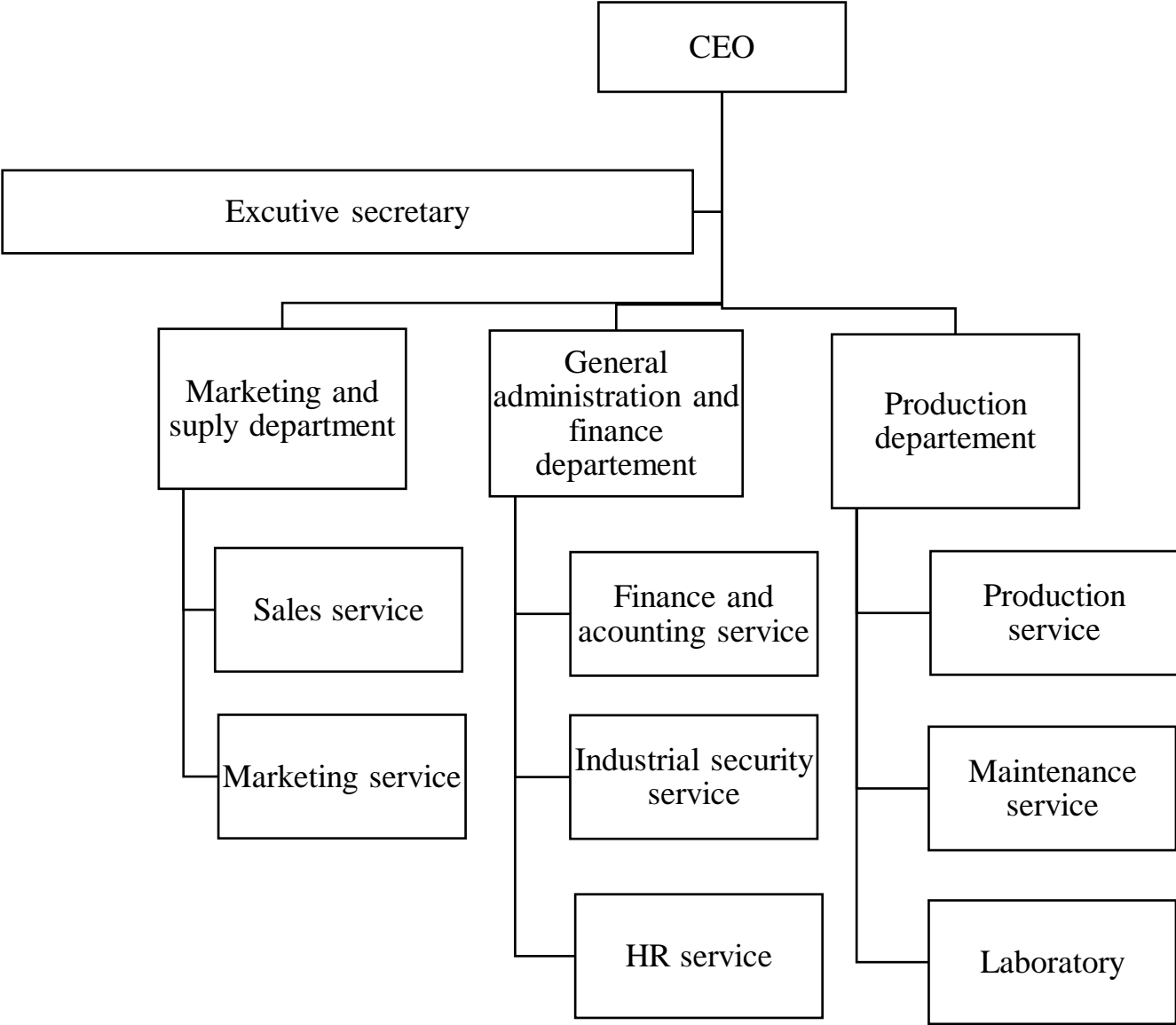
7. *Compensation* management face many *challenges*, some of which can make or break an organization, what are the main challenges for you and how is your way of overcoming them as a HR manager?
8. In your opinion how do you think the challenges in compensation management can be overcome to influence the performance of employees?

Axis 4: Performance management

9. How important you consider setting the objectives and their follow-up in performance management?
 10. Which performance appraisal methods are currently applied in your organization; would you briefly describe them?
 11. Describe a situation, where you consider, that your subordinate was not performing up to the expectations/ if you had a subordinate, whose performance you think is inadequate. How would you act?
- Any other comments for the researcher, Sir?

Thank you for your time and patience.

Appendix N°02: The organizational chart of “FADERCO”



Source: Internal documents

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