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Hudson College, Scenario C: Performance Management, Instructor's Manual

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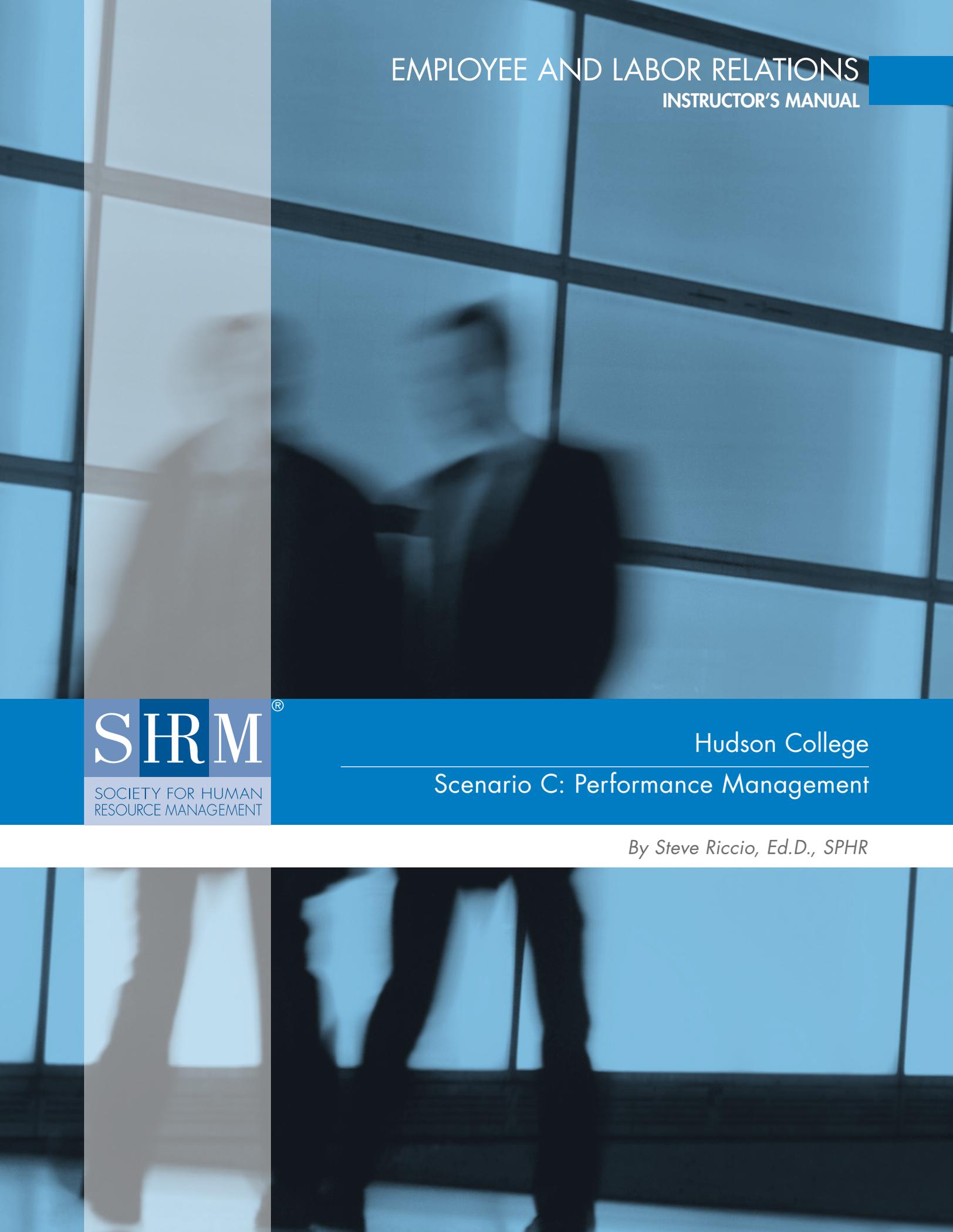
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EMPLOYEE AND LABOR RELATIONS
INSTRUCTOR'S MANUAL



Hudson College

Scenario C: Performance Management

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About This Case Study

The case begins with introductory information about the organization and is then divided into five scenarios. Each scenario includes question sets for undergraduate and graduate students. A debrief is included with each scenario, but because management dilemmas can be resolved using a variety of solutions, expect that students may come up with solutions that differ from those included in the scenarios. This document contains only Scenario C: Performance management. The scenarios are as follows:

- Scenario A: Talent management.
- Scenario B: Employee engagement.
- Scenario C: Performance management.
- Scenario D: Title IX.
- Scenario E: Employee benefits.

Hudson College: Overview

Founded in 1881, Hudson College is a private liberal arts institution located in Beacon, New York. Hudson is a four-year undergraduate institution accredited through the Middle States Association of Colleges and Schools. Nestled in the Hudson River Valley in Dutchess County between New York City and Albany, Hudson College prides itself in its core values of creativity, collaboration and civility. One of its strengths is its strong partnership with the vibrant Beacon community. Many of Hudson's employees serve on boards of local nonprofit organizations. Three years ago, the college helped improve the local transit system to provide better access to transportation for students and college employees. The college's presence in the downtown region is evident with the recent construction of the college bookstore, a coffee house and three student housing complexes along the Hudson River waterfront. Students choose Hudson for a variety of reasons, but most often they point to the low faculty-to-student ratio (12:1), the variety of academic programming and the proximity to New York City (approximately a one-hour drive).

Dr. Sara Richards became the 13th president of the college last year. She replaced the popular Dr. Robert McNulty, who retired after a 12-year tenure, which included a 20 percent increase in student applications, the addition of 15 academic programs, a strong emphasis on global education (the college now offers eight study abroad programs), and an increase in the enrollment of international students from 3 to 7 percent of the total enrollment.

Richards came to Hudson after serving as the provost at a similar liberal arts institution in the Midwestern region of the country. The transition from McNulty to Richards has been viewed as positive, but for many, it is too soon to tell. There is a small number of students and employees who feel the college lacks the necessary leadership to take Hudson to the next level. Richards reports directly to the board of trustees.

Edward Coburn has served as the board chair for the past three years. He retired in 2011 after a long, successful career at Appalachian Trust Bank in Poughkeepsie, New York, where he was the chief executive officer during the last 11 years of his career. The board of trustees, who traditionally have not meddled in human resource (HR) operations, are deeply concerned about the rise in health care costs and have focused their attention on this and other financial challenges facing the college.

Like so many colleges and universities, Hudson has been challenged by the difficult economic climate, increased competition among schools within and outside its peer group, and external pressure from its key stakeholders. The college's current strategic plan, now in its fourth year, outlined an ambitious agenda focused on diversity and inclusion, a reenergized commitment to increasing the school's affinity among its

alumni, and a multiyear capital project initiative that includes new construction and renovations to support the academic and residential experiences for students.

Hudson's endowment, despite losing 16 percent between 2008 and 2010 due to market conditions, has now reached \$350 million for the first time in the college's history. Despite serving as a positive performance measurement, most of this growth can be attributed to a rebound in the market. Large donations from alumni have been difficult to secure, making it a challenge to keep up with competitors.

David Bridges, vice president of human resources and risk management, has been in his current role for six years. He came to Hudson College from a university in New York City, where he was the director of human resources. Bridges has been described by his colleagues as a visionary who has led several key initiatives since coming to Hudson, including increasing efficiencies through technology enhancements and offering a more competitive compensation model compared to the local market and its peer institutions. Bridges reports directly to Richards.

Janet Mullins, director of human resources, has worked in the human resources and risk management division for 19 years. She started her career as a benefits analyst and moved into her current role shortly after Bridges' arrival. She reports directly to Bridges.

Elizabeth Guthry, director of organizational development, recently transitioned to higher education after six years as a corporate trainer for a *Fortune* 500 company. She has struggled with the cultural differences and has found it difficult to produce positive change in her short time at Hudson. She also reports directly to Bridges.

Hudson College has been named one of the "Top 100 Best Organizations to Work For in the State of New York" for four years in a row. Many attribute this ranking to the college's strong sense of teamwork and employee loyalty to the institution. The human resources and risk management division has also been recognized by local surveys for its care for employees and family-friendly benefits. Despite these recognitions, some faculty and administrative staff believe recent retirements and resignations of individuals in key positions have affected employee morale and the college's reputation of providing outstanding service to its students. Most of the open positions created by these departures were filled by external candidates, causing employees to question the college's commitment to its own people.

IN DAVID'S OFFICE

Bridges has been putting together a summary document he planned on giving Richards to prepare for their annual meeting about the division's goals for the upcoming year. As Bridges reflects on the past year, he notes a number of significant accomplishments that were made in the division. Despite these successes, he admits that it has been the most challenging year since he joined Hudson College.

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INSTITUTIONAL DATA	
Category	Figures
Enrollment	2,641 undergraduate students
Percentage of international students	7%
Percentage of students of color	13%
Acceptance rate*	46.1%
Discount rate**	44.8%
Retention rate	92%
Endowment (current)	\$354,106,198
Fundraising (fiscal year)	\$9,828,637

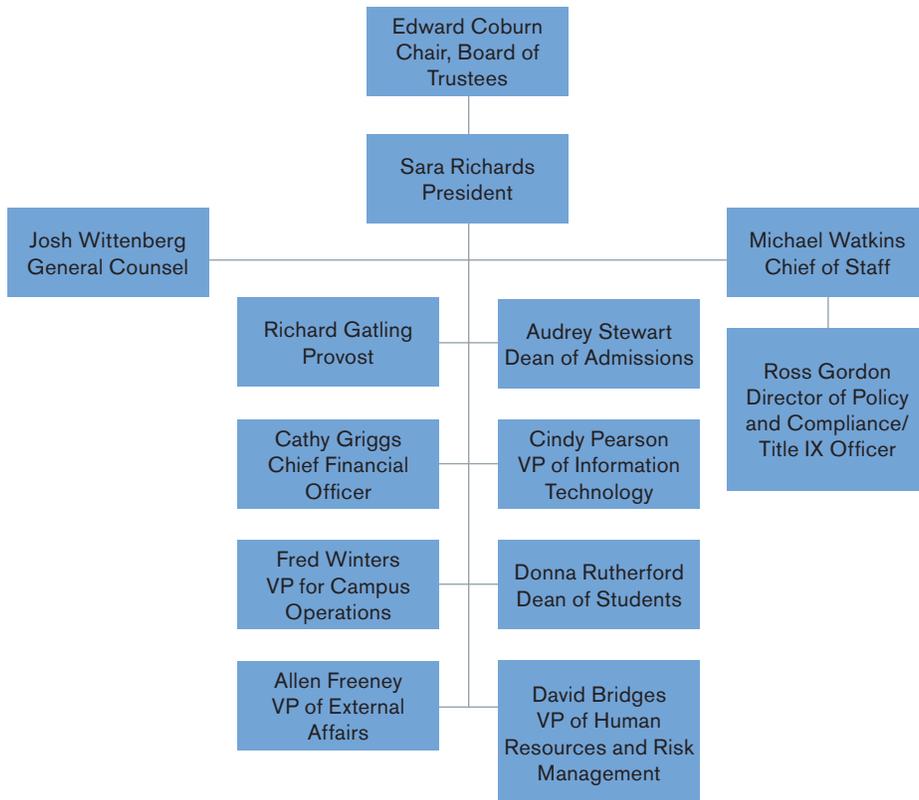
* Acceptance rate: The percentage of student applicants the college accepts.

** Discount rate: Institutional grant aid awarded to undergraduates as a percentage of the institution's gross tuition revenue.

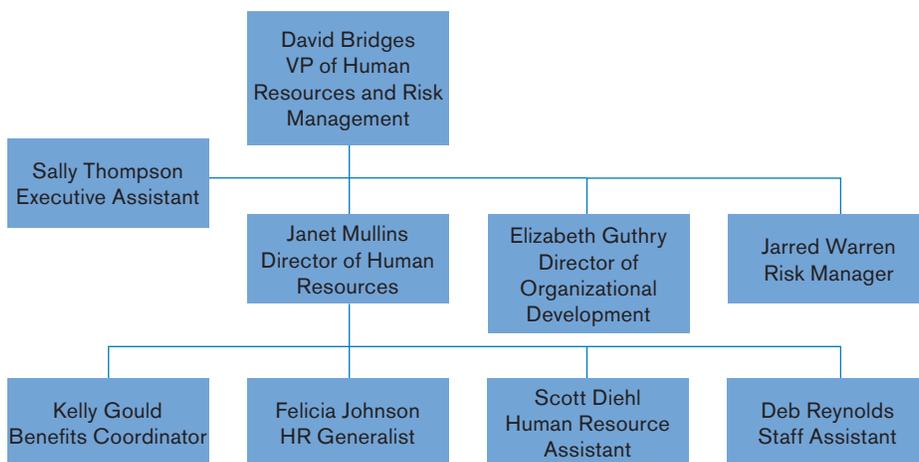
NUMBER OF FULL-TIME EMPLOYEES BY GENDER			
Number of Full-Time Employees	Male	Female	Total
Faculty	113	93	206
Administrative	109	141	250
Hourly	106	167	273
Total	328	401	729

EEO STATUS (FULL-TIME)		
Classification	Number of Employees	% of Total Employees
African American, Black	133	18.2%
Asian American	34	4.7%
Hispanic, Latino	103	14.1%
Multiethnic	6	0.8%
Native American, Alaskan Native	5	0.6%
White or Caucasian	448	61.4%

ORGANIZATIONAL CHART: EXECUTIVE TEAM



ORGANIZATIONAL CHART: DIVISION OF HUMAN RESOURCES AND RISK MANAGEMENT



Scenario C: Performance Management

PLAYERS

- Elizabeth Guthry, director of organizational development
- Tanya Herring, staff assistant for student housing (division of student affairs)
- Sam Gibbons, assistant director of student conduct (division of student affairs)
- Ann Stewart, director of health services (division of student affairs)

When David Bridges came to Hudson College, his first act was to meet with faculty, administrators and staff to get a sense of the college's culture and values. By holding these meetings, Bridges wanted to understand what worked well and what needed attention from an HR perspective. Bridges found this to be a valuable experience, and employees were happy to see such engagement from the start by the new vice president.

Bridges is still engaged in employee activities as much as his schedule permits, but Elizabeth Guthry, director of organizational development, now has the responsibility to meet regularly with employees to foster a positive working relationship between the division and the rest of the campus. Guthry meets with a group of eight to 10 staff members from each division quarterly to discuss updates that have an impact on employees and to provide them an opportunity to ask questions in areas such as benefits and policies. To date, there has not been a great deal of discussion at these meetings, with few questions asked by the participants. At times, some employees waited until after the meeting to speak with Guthry privately about more personal issues. Most participants appreciated receiving updates and having the opportunity to ask questions, whereas others seemed bothered by them. Guthry sensed that the meetings took some individuals away from more pressing matters.

IN THE STUDENT AFFAIRS DIVISION CONFERENCE ROOM

It seemed like another normal quarterly meeting in the student affairs division, but it turned in an instant when Guthry reminded employees that performance reviews were scheduled for completion in January. Guthry had taken over responsibility for the performance appraisal process from Janet Mullins, director of human resources. Guthry also reminded the group to be open with their supervisors regarding the challenges they had faced during the year and encouraged them to contribute their ideas for improvement.

"I'm not saying a thing to my supervisor," said Tanya Herring from student housing.

Sam Gibbons from student conduct said, “Why should I do that? It doesn’t do any good.”

The discussion quickly switched to the performance review process itself. “Why should I work any harder?” asked Herring. “You can do the bare minimum, keep your job and still get the same pay increase as everyone else.”

Guthry was ready to defend the process but realized that it was best to listen to the comments being made. She had heard the same arguments from employees before. This year, however, with so much change that had taken place, the frustration seemed to be escalating.

The performance management process had not changed much during the past several years. Most supervisors saw the process as a necessary evil, although some did take the process seriously. Limited funding has prevented any serious discussions about implementing a pay-for-performance system. Given this lack of change, employees have complained about the flaws in the process for quite some time. Hudson College has resisted adopting a pay-for-performance system for a variety of reasons, including the “inflation” of performance scores and a lack of consistency in the evaluation process among supervisors. Instead, most employees get the standard 2 to 3 percent increase. This year, with so many financial uncertainties facing the college, there is no guarantee of a salary increase because the budget committee could not come to a consensus on the issue during its last meeting.

AFTER THE MEETING

Guthry was heading out of the conference room after the meeting when she spotted an employee walking out of the room while texting on her smart phone. The employee, Ann Stewart, was the director of health services at Hudson and had been employed by the college for 22 years. Stewart was well respected by her colleagues for her strong collaborative skills and knowledge of Hudson. Guthry knew this even in the short time she had been at Hudson.

“Ann, do you have a second?” asked Guthry.

“Sure, what’s up?” asked Stewart as she finished typing her message and put her phone away.

“I was taken a bit by surprise by Tanya’s and Sam’s reaction to our performance appraisal process. I know they’ve been with Hudson less than five years. It’s troubling to hear such a reaction from newer employees,” said Guthry. “As someone who is much more connected to the campus, do you feel their reactions are the general feeling by most administrative employees?”

“I think there is some truth to what Tanya and Sam said. I have to tell you, preparing for performance discussions is not on the top of my list of favorite things to do. First, I know that despite how well my staff members perform, I will most likely be able to give them the standard increase determined by the college. They know that, and I know that,” said Stewart. “I also know there is more to the

appraisal system than the salary increase. I stress to my employees the importance of the conversation and how it will assist us moving forward. But I don't see very many supervisors who share this same approach. To them, it is just another requirement dictated by HR."

"You've reinforced what I've been sensing since I started," replied Guthry.

"I recently heard a supervisor say that he was not going to give in to HR's bureaucracy. He said he has plenty of discussions with his employees and doesn't need to complete a form, especially when it's the same useless process," said Stewart.

Guthry answered, "That's quite telling. Who knows how many others feel the same way. It's no wonder employees like Tanya and Sam react the way they do given the supervisors' attitudes."

As they left the Student Union, Guthry said, "Ann, thanks for sharing your perspective. It was certainly helpful."

Stewart replied, "No problem. Let me know if there is anything I can do."

SCENARIO C: QUESTIONS FOR UNDERGRADUATE STUDENTS

1. If you were Guthry walking back to your office after the meeting, what immediate actions would you consider based on the comments you heard?
2. What must HR do to change the philosophy of performance appraisals as a valuable process despite limited resources?
3. Some experts believe that using pay exclusively as an incentive for good performance can actually demotivate employees. Would you agree or disagree? Please explain.

SCENARIO C: QUESTIONS FOR GRADUATE STUDENTS

1. Given the limited financial resources, what approach can Hudson College implement to recognize and reward employees?
2. If Hudson College was to consider a pay-for-performance plan, what approaches would you suggest it implements to ensure a fair and equitable process?

Debrief

SCENARIO C: QUESTIONS FOR UNDERGRADUATE STUDENTS

1. If you were Guthry walking back to your office after the meeting, what immediate actions would you consider based on the comments you heard?

Student responses may vary. Some students will take a more proactive approach and will want to create change immediately to “fix” the existing system. Other students will take a more deliberate stance that could include having a conversation with colleagues in the human resources and risk management division, especially with Janet Mullins, who was responsible for the administration of the process before Guthry’s arrival. Once she receives insight from Mullins, it will be important to update David Bridges on the employee reaction. Bridges may ask Guthry to gather perceptions from other employees by using the divisional group forum or another venue. When the data are gathered, Guthry should reconvene with Bridges and provide recommendations on how best to proceed. Also, depending on the number of institutional initiatives being addressed, Bridges can share the proposal with senior managers to have a further conversation to address these existing attitudes of employees and supervisors.

2. What must HR do to change the philosophy of performance appraisals as a valuable process despite limited resources?

There is a fundamental issue facing Hudson as it relates to the performance management process. Without a pay-for-performance system in place, the sentiments expressed by student affairs staff members will likely resonate with other employees and supervisors across the college. The absence of a formal appraisal system creates an atmosphere in which employees believe they are performing above the level of a “standard” increase in pay compared with their colleagues. Morale and performance can become issues in such instances, in which high-achievers believe working above and beyond is futile because it does not result in financial recognition beyond the set rate.

Revising a performance management system takes a significant amount of work across an entire organization and not just the HR department. Based on this scenario, it appears an overarching philosophy must be created and adopted by the entire college, and it must not be perceived as an HR initiative. Many supervisors see performance reviews as a necessary evil mandated by HR. Until the financial structure of the system is revised (if at all), senior leaders, in partnership with human resources and risk management staff, must reiterate the value of the performance management system beyond the financial ramifications.

Benefits to be communicated could include the following:

- Every employee should receive an evaluation because it provides valuable feedback about the employee's overall performance.
- The performance conversation provides direction for employees and should acknowledge accomplishments, shortcomings and ideas that could improve operations.
- Individual performance goals connected to the department and institutional goals should be established and measured each year. Understanding how an employee's responsibilities connect to the college's mission increases employee engagement.

Many organizations link the completion of performance reviews as a core expectation of supervisors and may even penalize supervisors by not offering a raise if the supervisor does not comply.

The timing of the reviews should coincide with informing employees of their salary increase. While a formal pay-for-performance system may not be in place, some supervisors may have their own systems to reward employees based on their contributions to the department. When systems such as this are in place, a "do only what you get paid for" syndrome may occur. This happens when employees focus on performing well only in the parts of their job that they are being evaluated (Gomez-Mejia, 2012). Whether or not a supervisor has such a process in place, communicating raises shortly after the performance conversation gives the employee the idea that the outcome of the discussion had some influence on the salary decision.

3. Some experts believe that using pay exclusively as an incentive for good performance can actually demotivate employees. Would you agree or disagree? Please explain.

Responses for this question will vary. Some students may agree with the statement while others will disagree. Those who agree will point to the difficulty in enacting a system that can change behavior given limited resources. If one employee gets a 4 percent increase in salary, compared with the 3 percent received last year, will this increase result in better performance? Also, a system that rewards individual performance may hinder teamwork in a department and across the institution. Such a system could have negative consequences, including poor quality, unethical behavior or taking shortcuts, thereby creating risks for the college and affecting student services. Not all employees are motivated by financial rewards, and in fact, it can become a demotivator. Having the focus on pay is an extrinsic motivation that may affect an employee's intrinsic motivation to perform well.

Students who disagree with the statement may point to the benefits of a system that actually rewards strong performance. They may feel that the absence of a system creates an atmosphere of mediocrity. Also, if established correctly, employees should have a clear understanding of the performance standards they must achieve to qualify for more financial recognition.

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Lawler, E. (2009). Value-based motivation. *Businessweek*, Retrieved from http://www.businessweek.com/managing/content/apr2009/ca20090424_868872.htm.

Debrief

SCENARIO C: QUESTIONS FOR GRADUATE STUDENTS

1. Given limited financial resources, what approach can Hudson College implement to recognize and reward employees?

Hudson needs to establish a culture that rewards employees for their effort either through monetary or nonmonetary means. Assuming that Hudson does not have any performance competencies in place, the college may want to consider identifying areas that help motivate and focus its workforce. This can include areas such as creativity and innovation—for example, encouraging employees to submit ideas to improve operations and reward the employees if their ideas are implemented.

Supervisors feel that they are limited in what they can do to reward employees. Many believe the only way to effectively recognize and reward an employee is financially. There are several strategies supervisors can use that cost little or no money to implement, such as simply recognizing the contributions of employees at staff meetings or providing a note or letter to employees thanking them for their extra effort or for a job well done. While there are financial implications to time off, allowing employees to take time away from work without having to take personal leave is a positive gesture as long as it is conducted equitably. Someone may value having the opportunity to be a part of a special task force or stretch assignment to develop their career. Then there are some employees who just want to be told that they are doing a good job and reinforced regularly by their supervisors.

Supervisors cannot create a one-size-fits-all approach to recognition and rewards. It is important to develop a process that is fair in recognizing and rewarding employees. However, what motivates one employee may not motivate another. Supervisors must understand what motivates an employee—and developing this understanding takes work. It may be as simple as asking the employee, “What motivates you?”

In terms of recognizing groups of employees, organizations seem to have conversations only when things go wrong. Employers should have conversations when things go right. Find an opportunity to celebrate successes and, in the process, identify the components that contributed to the successes. This could be done in the form of a luncheon or other special occasion.

2. If Hudson College was to consider a pay-for-performance plan, what approaches would you suggest it implements to ensure a fair and equitable process?

Hudson College has a number of options to consider as it looks to improve its performance management system. Some systems base rewards on seniority alone.

Such systems signal to employees that the organization feels strongly about loyalty and could assist with the organization's turnover rate. Of course, such a philosophy can have a negative impact on employee morale because the most experienced employees are not necessarily the greatest performers.

A merit-based system is the most popular pay-for-performance system. This approach has come across major scrutiny over the past several years, however, and is viewed by many as an entitlement. Not every employee is motivated by increased pay. Some look for other extrinsic rewards such as changes in duties or responsibilities, changes in job title, or interesting assignments. Still others are motivated intrinsically; they want to know that their talents and efforts are of value to the organization. There is no guarantee that a merit-based system will result in increased productivity. In several jobs, the evaluation is very subjective and cannot be quantified. The college would need to set clear standards about what type of performance constitutes varying increases in pay by position. Also, individual-based performance systems can create issues in terms of collaboration, a necessity in higher education. The collaborative model reaches far beyond departmental performance, so even extending performance-based pay to a group of employees across multiple areas will be difficult at best and an ever-changing process if implemented.

Another way merit-based pay-for-performance systems work is by setting goals and objectives for each employee. Employee goals are designed to help the department meet department goals and objectives, and departments' goals serve to meet the overall organization's goals. The organization should develop a ranking or scale system to assess goals. For a five-point system, for example, a ranking of 3 means "meets expectations," rankings of 4 and 5 mean "exceeds expectations," and rankings of 1 and 2 are "below expectations." Some organizations use a three-point rating system, with a ranking of 1 being "below expectations," 2 being "meets expectations" and 3 being "exceeds expectations." Once those ratings are defined and employees' goals are set, employees are rated based on whether they have met their performance goals. The salary increase budget doesn't need to change. If the overall salary increase budget is 3 percent, then typically, employees with a "meets expectations" rating will receive a 3 percent increase. Employees with "below expectations" ratings will not receive an increase, and employees who exceed expectations will receive more than 3 percent. For this process, it is important to have HR or the executive team review all of the employees' reviews to make sure managers are being equitable when providing ratings. This review is known as calibration in some organizations.

According to John A. Rubino, president of Rubino Consulting Services, merit-based salary raises are an ineffective motivator and can actually result in a decrease in performance (Miller, 2011). This strategy also has a financial impact on organizations because salaries continue to increase each year for every employee who qualifies. He advocates for a variable-pay system that rewards employees through one-time bonuses based on individual or team performance. However, once again, in an industry such as higher education, where it is difficult to measure performance

objectively beyond certain administrative areas such as admissions or fundraising work, such a system can serve as a demotivator.

As mentioned above, assuming performance competencies are not in place at Hudson, establishing such standards at the employee, department and/or institution level and defining those standards is a critical first step. The standards should measure performance equally among the employee population. In other words, how one measures the performance of a public safety officer is different than how one measures the performance of an electrician. This requires defining success for each employee and aligning performance to institutional values and/or competencies. Regardless of the approach, it is important to educate employees about the basics of compensation and about the performance review system (this includes the expectations of high performance by the college). Employees should be given the opportunity to provide feedback.

PERFORMANCE MANAGEMENT TRAINING OUTLINE

The following outline offers points to consider when developing a performance management training strategy. There are subtle differences between the supervisory and employee workshops. The main emphasis in supervisor training is to have participants feel comfortable in facilitating an effective conversation with the employee who is being evaluated.

Supervisors

- Establish objectives and expectations.
- Assess participants' view of the performance management system and the value of the process.
- Align divisional, departmental and individual goals to the mission and goals of the college.
- Address successful approaches to an effective performance discussion, including:
 - Careful planning before the conversation.
 - Direct but respectful presentation of your observations (remember this is a review of the individual's performance in which there should be no surprises).
 - Periodic follow-up with employee to ensure accountability.
- Discuss rating system and the potential for inflation of scores.
- Review rating pitfalls: Halo and pitchfork effect, intuition (using exclusively), recency and leniency effects.
- Provide case study and scenarios.
- Summary.
- Questions and answers.

Employees

- Set objectives and expectations.
- Assess participants' view of the performance management system and the value of the process.
- Align divisional, departmental and individual goals to the mission and goals of the college.
- Complete a self-evaluation, including:
 - List of accomplishments from the previous year.
 - Strengths.
 - Areas for improvement.
 - Goals.
 - Training required.
 - Ideas to improve operations.
- Discuss rating system.
- Discuss the importance of participating in the performance discussion.
- Provide case study and scenarios.
- Summary.
- Questions and answers.

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