

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) In which of the following situations are larger incentive components appropriate? 1) \_\_\_\_\_
- A) organizations have a highly variable annual performance and employees have jobs that are fairly stable
  - B) when organizations have a highly variable annual performance and employees have jobs that fluctuate greatly in terms of what's expected of them
  - C) when organizations have a stable annual performance and employees have jobs that are fairly stable
  - D) when organizations work in an unstable external environment and employees have stable jobs with little fluctuations
  - E) when organizations have a stable annual performance and employees have jobs that fluctuate greatly in terms of what's expected of them
- 2) \_\_\_\_\_ is a process involving the determination of what is important to a person, and offering it in exchange for desired behaviour. 2) \_\_\_\_\_
- A) Socialization
  - B) Evaluation
  - C) Workflow
  - D) Motivation
  - E) Procedural justice
- 3) According to Herzberg's Two-Factor theory, \_\_\_\_\_ factors prevent behaviours in their absence, but cannot motivate performance in their presence. 3) \_\_\_\_\_
- A) satisfaction
  - B) valence
  - C) hygiene
  - D) instrumentality
  - E) expectancy
- 4) Which of the following factors cannot motivate performance according to Herzberg's Two-Factor theory? 4) \_\_\_\_\_
- A) achievement
  - B) recognition
  - C) empowerment
  - D) promotion
  - E) security

- 5) Which of the following is an essential feature of Maslow's theory? 5) \_\_\_\_\_
- A) Challenging performance goals influence greater intensity and duration in employee performance.
  - B) Employees are motivated when perceived outputs are equal to perceived inputs.
  - C) Higher-order needs become motivating after lower-order needs have been met.
  - D) Motivation is the product of three perceptions: expectancy, instrumentality, and valence.
  - E) Employees will react negatively if they perceive that others are paid more for the same effort.
- 6) According to the \_\_\_\_\_ theory of motivation, challenging performance targets influence greater intensity and duration in employee performance. 6) \_\_\_\_\_
- A) goal setting
  - B) Maslow's Hierarchy of Needs
  - C) equity
  - D) expectancy
  - E) Herzberg's Two-Factor
- 7) Which of the following theories focuses more on content and less on the nature of the exchange? 7) \_\_\_\_\_
- A) reinforcement theory
  - B) agency theory
  - C) expectancy theory
  - D) equity theory
  - E) Maslow's Hierarchy of Needs theory
- 8) \_\_\_\_\_ theory of motivation states that people cognitively evaluate potential behaviours in relation to rewards offered in exchange. 8) \_\_\_\_\_
- A) Reinforcement
  - B) Expectancy
  - C) Agency
  - D) Two-factor
  - E) Equity
- 9) \_\_\_\_\_ theory of motivation states that people are concerned about fairness of the reward outcomes exchanged for employee inputs. 9) \_\_\_\_\_
- A) Two-factor
  - B) Expectancy
  - C) Equity
  - D) Reinforcement
  - E) Agency

- 10) \_\_\_\_\_ theory of motivation states that employees and management/owners both will act opportunistically to obtain the most favourable exchange possible. 10) \_\_\_\_\_
- A) Agency
  - B) Two-factor
  - C) Reinforcement
  - D) Equity
  - E) Expectancy
- 11) When the organization wants to encourage employees to work together cooperatively, it may consider offering: 11) \_\_\_\_\_
- A) cost-of-living adjustment
  - B) allowances
  - C) group incentives
  - D) individual incentives
  - E) merit increase
- 12) Which of the following wage components is most risky to the employee? 12) \_\_\_\_\_
- A) a-the-board increase
  - B) g-sharing
  - C) profit-sharing
  - D) merit pay
  - E) lump-sum bonus
- 13) Which of the following wage components refers to wage increase granted regardless of performance? 13) \_\_\_\_\_
- A) lump-sum bonus
  - B) profit-sharing increase
  - C) individual incentive
  - D) cost-of-living increase
  - E) group incentive
- 14) Turnover is much higher for poor performers: 14) \_\_\_\_\_
- A) when pay is based on relational returns
  - B) when pay is based on group incentive plans
  - C) when pay is based on individual performance
  - D) when pay is based on industry standards
  - E) when pay is based on company profits
- 15) Employee turnover is much higher for poor performers when pay is based on: 15) \_\_\_\_\_
- A) team performance
  - B) individual performance
  - C) project performance
  - D) company performance
  - E) departmental performance

- 16) \_\_\_\_\_ is a ranking process that involves ranking the best employee, then the worst employee, then the next best and worst, and so on. 16) \_\_\_\_\_
- A) Alternation ranking
  - B) Behaviourally anchored rating scale
  - C) Performance outcome scale
  - D) Management by objectives
  - E) Paired comparison ranking
- 17) \_\_\_\_\_ refers to a ranking process that forces raters to make ranking judgments about discrete pairs of people. 17) \_\_\_\_\_
- A) Alternation ranking
  - B) Simple ranking
  - C) Paired comparison performance ranking
  - D) Management by objectives
  - E) Behaviourally anchored paired rating
- 18) \_\_\_\_\_ is a performance rating method that is based on meeting objectives set at the beginning of the performance review period. 18) \_\_\_\_\_
- A) Adjective rating scales
  - B) Behaviour rating scales
  - C) Behaviourally anchored objectives
  - D) Paired comparison performance objectives
  - E) Management by objectives
- 19) Which of the following is true of a performance appraisal method where peers act as raters? 19) \_\_\_\_\_
- A) Leniency errors in this method are absent.
  - B) This is the most reliable of all methods
  - C) In situations where teamwork is promoted, this method is ideal.
  - D) Scope for group tensions is absent in this method.
  - E) An accurate perspective of typical performance can be obtained by this method.
- 20) Which of the following errors means consistently rating someone higher than is deserved? 20) \_\_\_\_\_
- A) spillover error
  - B) central tendency error
  - C) leniency error
  - D) recency error
  - E) halo error

- 21) An appraiser giving favourable ratings to all job duties based on impressive performance in just one job function is committing a \_\_\_\_\_ error. 21) \_\_\_\_\_
- A) leniency
  - B) first impression
  - C) spillover
  - D) recency
  - E) halo
- 22) \_\_\_\_\_ error in the performance appraisal process rates all employees as average. 22) \_\_\_\_\_
- A) Halo error
  - B) Strictness error
  - C) Recency error
  - D) Spillover error
  - E) Central tendency
- 23) Which of the following is a key element essential for a good outcome in the appraisal process? 23) \_\_\_\_\_
- A) Raters should be discouraged from maintaining a diary of employee performance.
  - B) Employees should not be kept in the dark about how the appraisal system operates.
  - C) Performance dimensions should be isolated from the strategic plan of the company.
  - D) Employees should not be involved in developing performance dimensions.
  - E) Raters should not attempt to diagnose the reason for performance problems in advance.
- 24) Perceived fairness of pay or other work outcomes received is called: 24) \_\_\_\_\_
- A) objective justice.
  - B) haloed justice.
  - C) procedural justice.
  - D) distributive justice.
  - E) qualitative justice.
- 25) Seniority increases tie pay increases to a preset progression pattern based on: 25) \_\_\_\_\_
- A) incentives
  - B) pay range
  - C) how long after 65 years of age that an employee stays with the company
  - D) seniority
  - E) age of the organization

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 26) A low incentive component is appropriate in organizations with highly variable annual performance. 26) \_\_\_\_\_
- 27) According to Maslow's Hierarchy of Needs theory, higher-order needs motivate even if lower-order needs are not met. 27) \_\_\_\_\_

- 28) According to the reinforcement theory of motivation, rewards do not affect performance. 28) \_\_\_\_\_
- 29) Lump-sum bonus is granted to all employees irrespective of performance. 29) \_\_\_\_\_
- 30) A behaviourally anchored rating scale (BARS) is a performance rating scale that uses behavioural descriptions as anchors for different levels of performance on the scale. 30) \_\_\_\_\_
- 31) Evaluation forms that produce numerical ratings cause administrative inconveniences. 31) \_\_\_\_\_
- 32) A 360-degree feedback assesses employee performance from five points of view: supervisor, peer, self, customer, and subordinate. 32) \_\_\_\_\_
- 33) One compromise in the use of self-ratings is to use them for administrative rather than developmental purposes. 33) \_\_\_\_\_
- 34) One of the major drawbacks of using peers as raters is that they have a distorted perspective of typical performance. 34) \_\_\_\_\_
- 35) Raters should notice only performance-related factors when they observe employee behaviour. 35) \_\_\_\_\_
- 36) The actual appraisal process should provide coaching and suggestions for improving future performance. 36) \_\_\_\_\_
- 37) Operationally, the key to designing a pay-for-performance plan rests in setting performance standards. 37) \_\_\_\_\_
- 38) Distributive justice refers to perceived fairness of pay or other work outcomes received. 38) \_\_\_\_\_
- 39) Seniority increases relate pay increases to a preset progression pattern based on seniority. 39) \_\_\_\_\_

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 40) What is a pay-for-performance plan?
- 41) What are the three general factors on which employee performance depend on?
- 42) Discuss the two types of motivation theories.
- 43) What is merit pay's level of risk to an employee?
- 44) What are the different strategies to better understand and measure job performance?

- 45) What type of performance appraisal method includes feedback from up to five sources: supervisor, peers, self, customers, and subordinates?
- 46) What are the two common elements in the various rating formats?
- 47) Describe how management by objectives (MBO) is carried out.
- 48) List some common errors in the appraisal process.
- 49) Identify 7 items that a successful appraisal process should provide.
- 50) What is the effectiveness of reward systems dependent on?
- 51) Discuss the issue between merit pay and employee performance.

Answer Key

Testname: UNTITLED10

- 1) E
- 2) D
- 3) C
- 4) E
- 5) C
- 6) A
- 7) E
- 8) B
- 9) C
- 10) A
- 11) C
- 12) C
- 13) D
- 14) C
- 15) B
- 16) A
- 17) C
- 18) E
- 19) E
- 20) C
- 21) E
- 22) E
- 23) B
- 24) D
- 25) D
- 26) TRUE
- 27) FALSE
- 28) FALSE
- 29) FALSE
- 30) TRUE
- 31) FALSE
- 32) TRUE
- 33) FALSE
- 34) FALSE
- 35) TRUE
- 36) TRUE
- 37) TRUE
- 38) TRUE
- 39) TRUE
- 40) A pay-for-performance plan is a pay plan that links individual pay to some measure of performance on the job
- 41) Employee performance depends on the following:  
  
A = Ability  
M = Motivation to perform  
E = Supportive environment
- 42) One set of theories (expectancy theory, equity theory, and agency theory) focus on the nature of the exchange. The second set of theories focus on content—identifying what is important to people.



- 43) There are two types of risk faced by employees. Size of total merit pool is at the discretion of employer (risk element), and individual portion of pool depends on performance, which also is not totally predictable.
- 44) Efforts to improve the performance rating process have taken several forms. First, researchers and compensation people traditionally focused on evaluation formats—the methods used to rank or rate performance. Second, more recent attention has focused less on the rating format and more on the raters themselves. Several possible categories of raters (supervisor, peers, subordinates, customers, self) have been studied to determine whether a given category leads to more or less accurate ratings. Third, attempts are being made to identify how raters process information about job performance and translate it into performance ratings. Fourth, research results also suggest that raters can be trained to increase the accuracy of their ratings.
- 45) A 360-degree feedback.
- 46) The various rating formats have two elements in common. First, in contrast to ranking formats, rating formats require raters to evaluate employees on some absolute standard rather than relative to other employees. Second, each performance standard is measured on a scale on which appraisers can check the point that best represents the employee's performance. In this way, performance variation is described along a continuum from good to bad. The types of descriptors used in anchoring this continuum provide the major difference in rating scales. These descriptors may be adjectives, behaviours, or outcomes.
- 47) MBO is performance rating method based on meeting objectives set at the beginning of the performance review period. As a first step, organization objectives are identified from the strategic plan of the company. Each successively lower level in the organizational hierarchy is charged with identifying work objectives that will support attainment of organizational goals. At the beginning of a performance review period, the employee and supervisor discuss performance objectives. At the end of the review period, the two meet again to record results formally (of course, multiple informal discussions should have occurred before this time). Results are then compared to objectives, and a performance rating is then determined based on how well objectives were met.
- 48) Halo error, negative halo error, first impression error, recency error, leniency error, strictness error, central tendency error, similar-to-me error, and spillover error.
- 49) A successful appraisal process should provide:
1. A clear sense of direction
  2. An opportunity for employees to participate in setting the goals and standards for performance
  3. Prompt, honest, and meaningful feedback
  4. Immediate and sincere reinforcement
  5. Coaching and suggestions for improving future performance
  6. Fair and respectful treatment
  7. An opportunity for employees to understand and influence decisions that affect them
- 50) The effectiveness of reward systems is dependent on three things: efficiency, fairness, and compliance.

- 51) Organizations frequently grant increases that are not designed or communicated to be related to performance. Perhaps the biggest reason for this is that many companies view raises not as motivational tools to shape behaviour, but as budgetary line items to control costs. Frequently, this results in pay increase guidelines with little motivational impact.