

COMPARISON OF THE PERFORMANCE APPRAISAL PRACTICES PRACTICED IN INDIAN COMPANIES WITH MULTINATIONAL COMPANIES: A STUDY

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Abstract: The purpose of this paper was to compare the performance appraisal practices (i.e. broadly performance appraisal practices, organizational issues and purposes, and role of performance appraisal) practiced in Indian companies with multinational companies. A sample of 100 companies was taken in a manner that would foster both the quality and representativeness of data to facilitate better analysis and interpretation. The firms surveyed through this questionnaire were from service and manufacturing field in general and specifically from Automobile and ancillaries, banking, telecommunication, software, insurance, electronic, printing, packaging, leather industry, aviation, IT enabled services, healthcare, construction, hotel industry, FMCG, power generation etc. Four questionnaires were distributed in each company by covering two HR managers and two non-HR managers.

Keywords: Comparison; Performance appraisal; Indian; MNCs; Multinomial Logistic Regression; Factor analysis.

1. INTRODUCTION

Globalization has become the mainstream for many industries and organizations. It has come with many difficulties associated with social, political, economical, environmental and cultural consequences. India has gone through a tough change on her economic front over the past two decades. India has come up from a tight controlled license and inspector raj to free market economy and has liberalized economic policies. The liberalization, privatization and globalization (LPG regime) has resulted in sudden and increased levels of competition for Indian firms from international firms, globalization and internationalization of domestic businesses by Indian companies going internationally, uncontrolled imports, incentives to export, concerns for total quality management, demographic changes in the employee profile, de-skilling, re-skilling and multi-skilling and issues related to work-force reduction (Financial Times, 1994; Rao et al., 1994; Sodhi, 1994; Venkataratnam, 1995). LPG regime has created opportunities for technology upgrading, thus helping the resource mobilization from new sources and human resource issues associated with strategies of expansion, diversification, turnaround and internationalization (Ahluwalia, 1994; Sodhi, 1994; Venkataratnam, 1995). Thus, there is a considerable pressure to change from indigenous, costly and low levels of technology towards higher technology provision. All this has direct implications for human resource practices in India (Krishna and

Monappa, 1994) to change according to the environment as there is also a famous idiom "Do as Romans do". Change is the law of nature. Either change or perish is the current scenario in current situation. Indian personnel specialists are under severe pressure to bring about large-scale structural changes in their organizations in order to cope with the challenges brought by economic liberalization. They have to develop their HR strategies such that domestic workforce is now capable of taking on the challenges brought about by the new economic environment. This is all the more challenging because the Indian workforce has a very diverse socio-economic background and the antagonist nature of trade unions makes it very difficult to make them work as a team (Jain, 1991; Jain and Venkataratnam, 1994; Sharma, 1984). The scene is further aggravated by the pro-labour stance of most labour legislation (Rao et al., 1994; Tayeb, 1995; Venkataratnam, 1995).

2. RESEARCH INSTRUMENT

The relevant data for the present study has been obtained from primary sources. A well-structured and pre-tested questionnaire was used for data collection. The questionnaire was drafted consulting relevant literature (Dulebohn and Ferris, 1999, Wilson and Western, 2000; Cattell, 1999; Ward 1997). The researcher also interacted with some managers of the Indian and MNCs during the pilot survey before finalizing the questionnaire. Before collecting data from respondents, primary drafts of the questionnaires were pre-tested by administering to five HR managers and five non-HR managers. Based on the written and verbal comments of the managers, some items were re-worded to eliminate

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ambiguity, some were deleted, and some were reframed. Few sections/variables of the questionnaire were stated negatively to avoid the response bias. The questionnaire consisted of three sections. The first section contained 21 individual and organizational based background questions. These questions were about the demographic variables like age, gender, qualifications, experience, organization, its type, certification, its philosophy, etc. The basic purpose of questions asked in this section is to get the researcher acquainted with the sufficient knowledge about the profile of the respondents and their organizations so that later on in the data analysis, the same may be inter related with questions / factors related to performance appraisal.

The second section contained 55 variables related to performance appraisal. This section categorized into three groups i.e. performance appraisal practices (23 variables), organizational issues and purposes (12 variables), and role of performance appraisal (12 variables). Three items were deleted as those were not significantly loaded on factors. In addition to these five point scale items, there were other five items of dichotomous nature those were on performance appraisal techniques, basis of performance appraisal, performance appraisal frequency, factors to measure the performance, and approaches used. Fifty statements were taken on five point Likert scale i.e. strongly agree to strongly disagree. The weights were given one to strongly disagree to five to strongly agree. The last question of the questionnaire was an open ended question through which the respondents were asked about their suggestions that can be incorporated in the existing performance appraisal or can be included while designing the model of Performance Appraisal for the companies.

The respondents were required to self report/rate the variables of the questionnaire on five point scale. The respondents were asked to rate statements on a five point rating scale where one indicated that respondents strongly disagree, two meant for disagree, three for neutral, four indicated agreeing and five meant strongly agree about what was described in the statement. This technique was used owing to its easier construction and administration, as it is easier for respondents to understand its usage. Each questionnaire was accompanied by a covering letter (request letter) and authorization letter from the Haryana School of Business, Guru Jambheshwar University of Science of Technology, Hisar which stated the purpose of research,

encouraged voluntary participation by employees, ensured the anonymity of their responses, and thanked the respondents for their cooperation.

3. THE SAMPLING

The sample comprised of male and female managers/employees of Indian and Multinational companies in the National Capital Region. We used the stratified sample (of NCR) method initially for the survey. For this purpose an exhaustive list of Indian and Multinational companies in India (operating in NCR) was prepared, with the help of newspapers, magazines and internet. Simultaneously FICCI and CII magazines were also consulted for preparing the list. For getting permission for survey we wrote letters to the head offices of Indian and Multinational companies listed in list prepared. After not getting favourable response and keeping the time, distance and cost involved in mind, we decided to send the questionnaires by post to the managers with a request. Such questionnaires were sent to 200 short listed companies. However response was very poor. Further, simultaneously we decided the method of convenience sampling to approach the Indian and Multinational companies personally and seek permission. In this process we could contact 100 companies.

A sample of 100 companies was taken in a manner that would foster both the quality and representativeness of data to facilitate better analysis and interpretation. The firms surveyed through this questionnaire were from service and manufacturing field in general and specifically from Automobile and ancillaries, banking, telecommunication, software, insurance, electronic, printing, packaging, leather industry, aviation, IT enabled services, healthcare, construction, hotel industry, FMCG, power generation etc. Four questionnaires were distributed in each company by covering two HR managers and two non-HR managers.

Finally, out of the 400 distributed questionnaires, we could collect 284 questionnaires. Only 272 of the returned questionnaires by whatever methods were found suitable for final analysis and without discrepancies. Remaining 12 questionnaires were rejected as they were incomplete in one respect or the other. In the Study, primary data based on 272 respondents (HR managers and non HR managers) from 68 companies was analyzed. The detailed description of the sample can be seen through the table given below:

Table 1
Detailed Description of Sample

<i>Variable</i>	<i>Categories</i>	<i>Target Sample</i>	<i>Received</i>	<i>Accepted</i>	<i>Not Received</i>	<i>Rejected</i>
Company	Indian	60	58	56	02	2
	MNCs	40	13	12	27	1
	Total	100	71	68	29	3
Individual	HR Managers	200	146	140	54	6
	Non HR Executives	200	138	132	62	6
	Total	400	284	272	116	12

4. RESULTS

Multinomial logistic regression was used to bring out further results. The role of performance appraisal practices differed significantly according to the sector of organizations i.e. Indian companies and MNCs which are presented as follows:

- Performance appraisal factors i.e., 'Self appraisal opportunities and employee development', 'Use of IT in performance appraisal', and 'Designing of PA systems' were found significant predictors for differentiating between Indian companies and MNCs.
- In case of Self appraisal opportunities and employee development, MNCs were 55.2 percent stronger than Indian companies.
- MNCs were found 33 percent stronger in case of Use of IT in performance appraisal.
- In case of Designing of PA system Indian companies were 91.8 percent stronger than MNCs.
- Five performance appraisal practices i.e. '360 degree performance appraisal' 'Proper feedback', 'Maintaining employee privacy', 'Employee participation in performance appraisal' and 'Applying tested performance appraisal system' were not found significant predictors for differentiating between Indian companies and MNCs.
- Two factors of role of performance appraisal i.e. Role of PA in promotion and salary fixation and Role of PA in employee retention were found significant predictors for differentiating between Indian companies and MNCs.
- MNCs were stronger by 62 percent in case of Role of PA in promotion and salary fixation than Indian companies.

- Indian companies were stronger by 60.8 percent in case of Role of PA in employee retention than MNCs.
- Two factors i.e. 'Role in performance culture' and 'Role in industrial relations' were not found significant predictors for differentiating between Indian companies and MNCs.

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