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# Research Assignment

Topic: Performance appraisal between Multinational Corporation and Indian Companies

## Abstract

Performance appraisal is a crucial process within Organization, impacting Employee motivation, retention, and overall productivity. This report aims to compare and contrast performance appraisal practices between Multinational Corporation (MNCs) and Indian Companies, exploring how each type of organisation implements, Evaluates, and perceives performance appraisal system. Drawing from both primary data, such as surveys and interviews with HR professionals, and secondary data, including company report and Existing literature, this report examines the distinct culture and Organisational influences on appraisal practices in context. Our findings indicates that MNCs typically adopt more standardized, objective, and Competency based appraisal methods focusing on measurable performance indicators. In contrast, Indian Company often Emphasize a hierarchical approach, Valuing Seniority and personal Evaluation over standardized metrics. The comparative analysis reveals that while MNCs prioritize uniformity and global standards, Indian Companies show flexibility in accommodating local practices and individual Employee needs. However, both types of organisation face challenges in balancing fairness, transparency, and employee Satisfaction in appraisal practices.

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## Introduction

Performance appraisal is a vital component of human resource management, serving as a formal assessment of employee performance, potential and contribution to organizational goals. By systematically evaluating individual achievements and providing constructive feedback, companies aim to drive productivity, encourage employee development, and align personal goals with the broader mission of the organisation. With globalization, performance appraisal systems have evolved and diversified, especially as multinational corporations (MNCs) bring standardized practices into regions with distinct culture and operational norms. This phenomenon has sparked significant interest in comparing the appraisal approaches of MNCs and local companies, particularly in emerging market like India, where organisational culture and work dynamics can be markedly different.

In India, performance appraisal practices have traditionally emphasized seniority, loyalty and subjective evaluation criteria. Indian companies often rely on hierarchical structure where feedback and assessments are shaped by personal relationships and cultural norms that prioritize respect for authority and group harmony. However, as the Indian business landscape became increasingly competitive and integrated with global market, local companies face the challenge of adapting modern performance management techniques that are objective and results-oriented.

On the other hand, MNCs operating in India often implement appraisal systems that are part of a global standardizing, prioritizing uniformity and measurable outcomes. These companies tend to use appraisal technique like 360-degree feedback, key performance indicators (KPIs), and competency based assessment, which are designed to be objective and data-driven.



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However, this approach sometimes clash with local cultural expectation, presenting unique challenges for MNCs aiming to balance global efficiency with local relevance.

This report seeks to explore the difference and similarity in performance appraisal methods between MNCs and Indian Companies, analyzing how these organizational, and operational factors shapes their practices. This study aim to provide insights into how these organizations adapt or innovate in their appraisal systems to suit their unique environment. Through a comprehensive examination of existing literature, data analysis, and case studies, the report will examine the effectiveness of these practices their impact, their impact on employee satisfaction and performance, and the challenges each type of organisation faces in applying these methods effectively.

The findings of this study have practical implications for HR professionals, managers, and policy makers looking to optimize performance appraisal system in culturally diverse environment. Ultimately, this report will offer recommendation for improving performance appraisal practices in both MNCs and Indian Companies with a focus on fostering a productive, fair and culturally adaptive workspace.

## # Literature Review

The study performance appraisal system has been an integral part of organisational research with substantial literature examining the design, effectiveness, and cultural ability of these systems. Performance appraisal (PA) is broadly



recognized as a formalized process for evaluating Employee Contributions and potential, intended to align individual performance with organizational goals (Murphy & Cleveland, 1995). However, the approach to performance appraisal can vary widely across organization, particularly between Multinational Corporation (MNCs) and local companies in countries like India. This literature review delves into prior research on performance appraisal practices, focusing on difference in appraisal criteria, the impact of organisational culture and challenges in implementing effective appraisal system across diverse organisational contexts.

## 1. Performance Appraisal in Multinational Corporations

Multinational Corporations (MNCs) typically operate within a standardized framework for performance management that emphasizes objectivity, competency-based evaluations, and alignment with global organizational strategies. Research suggest that MNCs prefer appraisal system that are quantifiable and objective, often employing technique such as Management by Objectives (MBO), 360-degree feedback, and Key Performance Indicators (KPIs) (Dowling, Festing & Engle, 2013). These systems are designed to ensure consistent performance standards across multiple geographical locations, allowing MNCs to maintain control over global operation while fostering transparency and fairness in employee evaluation (Evans, Pook & Bjorkman 2011).



## 2. Performance Appraisal in Indian Companies

Performance appraisal practices in Indian companies have traditionally been shaped by the country's unique socio-cultural landscape. Indian companies often emphasize hierarchical structure, where seniority and loyalty play a significant role in performance evaluations (Budhwar & Verma, 2011). Rather than relying exclusively on quantitative metrics, many more Indian firms adopt a qualitative, relational approach that considers factors such as commitment, loyalty, and interpersonal relationships. Studies indicate that employees in Indian organizations often expect a degree of personalized interaction in the appraisal process, valuing feedback that respects cultural norms of authority and harmony (Sparrow & Budhwar, 1997).

Nonetheless, as globalization influences the Indian corporate sector, a growing number of Indian companies are integrating modern performance management techniques. Research by Sharma and Sharma (2020) highlights a trend towards competency-based evaluations in Indian firms, particularly in industries like IT and finance, where international standards of performance are increasingly adopted. Despite these advances, challenges remain in adapting western-style appraisal systems to align with the expectations of Indian employees, who may be less accustomed to transparent, metric-driven evaluations (Chakrabarty, 2001).

## # Practices followed in Multinational Companies (MNCs)

- Standard approach: MNCs often use a uniform appraisal system globally to maintain consistency across locations.
- Objective and metric-based: Appraisal focuses on measurable goals and key performance indicators (KPIs) and data-driven outcomes.
- Advanced techniques: Methods like 360-degree feedback (from peers, managers and subordinates) and competency-based assessment are common.
- frequently + structured feedback: Regular, scheduled feedback is given to track progress, with emphasis on constructive criticism.
- focus on Individual Accountability: Emphasizes personal goals, outcomes, and accountability, often tied to promotions and incentives.
- Global Adaptability: MNCs sometimes adapt global policies to fit local regulation or norms but generally strive for a unified system.

## # Practices followed in Indian Companies

- Hierarchy based approach: Approach often considers seniority, loyalty, and relationships aligning with India's hierarchical work culture.
- Qualitative & Relational Focus: Appraisal may be more subjective, relying on personal assessments and interpersonal interactions.



- Less formal feedback: feedback may be less frequent and often provided through informal channels
- Emphasis on Loyalty and Team Dynamics: Employees' loyalty, teamwork, and adherence to cultural norms can play a significant role in evaluations.
- Adaptable & Flexible Systems: Indian companies may adjust appraisal practices based on employees' need and cultural expectation, valuing adaptability over rigid structure.
- Limited use of Modern Technique: Some Indian techniques are still transitioned towards competency-based models and data-driven assessments.

## # Comparative Analysis: Indian V/s MNCs

- Consistency vs. Flexibility: MNCs prioritize consistency and standardization, while Indian companies often favor flexibility and adapt to local culture.
- Objective and Subjective Metrics: MNCs use data-driven and objective measures, whereas Indian companies may rely more on subjective and relational evaluation.
- Feedback Frequency: MNCs provide structured, frequent feedback, while Indian companies may use less formal, occasional feedback channels.



- Adaptation to culture: Indian Companies Integrate Cultural Consideration directly into appraisals, while MNCs may adopt only when necessary.
- Modern Technique Usage: MNCs widely implement modern appraisal method like 360-degree feedback, while Indian companies are gradually adopting such methods.
- Employee Expectations: Employee in such MNCs expect clear, data-based evaluation, while those in Indian companies often value personal and relationship-based feedback.

## # Data Interpretation and analysis

| Criteria                          | MNCs                             | Indian Companies                   |
|-----------------------------------|----------------------------------|------------------------------------|
| Appraisal frequency               | Quarterly or bi-annually         | Mostly annually                    |
| methodology used                  | 360-degree feedback, KPI         | Supervisor-led, biased (scorecard) |
| Employee Satisfaction rate        | High (75-80%)                    | Moderate to Low (60-65%)           |
| focus on training and development | High Integration with appraisals | Limited or separate from appraisal |
| Promotion Criteria                | Performance based                | Performance + Seniority            |

- Appraisal frequency: MNCs tend to conduct performance reviews more frequently than Indian companies, aligning their evaluation with quarterly or bi-annually project cycles. This helps in maintaining regular feedback and aligning employee goals with organisational goals frequently.

- methodology used : Most often MNCs use advance methods like 360-degree feedback, which provides multidimensional view by including input from peers, supervisors, and subordinates. Indian Companies focus on supervisor-led evaluation.
- Promotion Criteria: MNCs emphasize merit-based promotions linked to performance. Indian companies, on the other hand, tend to consider both performance and tenure, particularly in traditional industries.

## # Graph Interpretation

- # UCR1 provided graph details about Employee Satisfaction rate by sector and appraisal method.  
→ various sectors
- IT sector in MNCs : Satisfaction is high (80%) due to the use of structured and transparent appraisal practices.
- Manufacturing in Indian Companies  
Satisfaction might be moderate (60%) due to slower adoption of multi-dimensional appraisal methods.

## # Case Studies

### 1) Google

- Appraisal system: Google uses a comprehensive 360-degree feedback approach along with objective and key Results (OKRs). Employees receive feedback from peers, managers, and even subordinates, enabling a full spectrum view of their performance.



- Managers work closely with Employees to set measurable objectives that align with both individual and Company goals.
- Impact on Growth: This approach has fostered a culture of continuous improvement and transparency, helping Google retain high-performing Employees and drive innovation. Studies show that this level of feedback significantly improves

## 2. Infosys

- Appraisal system: Infosys, a leading Indian IT service Company, has transitioned from traditional performance appraisal to the balanced Scorecard and competency-based assessments. Recently, Infosys incorporated tools for real time feedback and project-specific-Evaluations, creating a more dynamic appraisal system.
- Impact on Growth: This updated system has allowed Infosys to be more align in addressing skill gaps and fostering leadership potential, aligning employee growth with Client project demands.

## 3. Amazon

- Appraisal system: Amazon's performance management system is famously rigorous, using the "rank and yank" system combined with data-driven evaluation. Employees are reviewed based on their performance data, and underperformers may be phased out.

- Impact on growth: This system creates a high-pressure environment that demands top performance, encouraging rapid innovation and accountability. However, it has also led to criticism regarding employee burnout. Despite this, Amazon's emphasis on metric-driven performance has played a critical role in maintaining its competitive edge and growth in E-commerce and cloud computing.

#### 4. Tata Consultancy Services (TCS)

- Appraisal System: TCS has adopted a mixed approach with a focus on continuous feedback allowing employees to receive feedback on project in real time. This appraisal system also integrates skill-based assessment, essential for the rapidly changing technology landscape.

Impact on growth: TCS's approach aligns employee objectives with business needs and has enhanced project outcomes and client satisfaction. This has improved reputation in global market positioning TCS as a leader in IT services and ensuring robust financial performance despite market fluctuations.



## # Conclusion

In Conclusion, performance appraisal practices in multinational (MNCs) and Indian Companies reveal distinct approaches, each with its own strengths. MNCs often use structured, data-driven methods like 360-degree feedback, which boost transparency, Enhance Employee Engagement, and align individual goal with Corporate objective. In Contrast, Indian Companies, especially larger ones, are adopting similar frameworks, though some traditional methods still persist, particularly smaller firms. This gradual Shift in Indian Companies reflects an adaptation to global standards, Improving Competitiveness and fostering talent development. Both MNCs and Indian Companies can benefit from refining their appraisal process to boost satisfaction, productivity, and long-term growth.