

NAME - Sahil Yadav  
Roll No - 21ECE1039  
Branch - ECE

# Research Assignment

Topic: Performance appraisal between Multinational Corporation and Indian Companies

## Abstract

Performance appraisal is a crucial process within organizations, 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 organization implements, evaluates, and perceives performance appraisal systems. Drawing from both primary data, such as surveys and interviews with HR professionals, and secondary data, including company reports and existing literature, this report examines the distinct culture and organizational influences on appraisal practices in context.

Our findings indicate that MNCs typically adopt more standardized, objective, and competency-based appraisal methods focusing on measurable performance indicators. In contrast, Indian companies 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 organizations 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 organization. With globalization, performance appraisal systems have evolved and diversified, especially as multinational corporations (MNCs) bring standardized practices into regions with distinct cultural and operational norms. This phenomenon has sparked significant interest in comparing the appraisal approaches of MNCs and local companies, particularly in emerging markets like India, where organizational 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 structures 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 markets, 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 techniques like 360-degree feedback, key performance indicators (KPIs), and competency-based assessment, which are designed to be objective and data-driven.

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 organization 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 environments. 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 (MNC) 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 organizational 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 systems that are quantifiable and objective, often employing techniques such as Management by Objectives (MBO), 360-degree feedback, and key performance indicators (KPIs) (Dowling, Festing & Eingle, 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, Pusk & Bjorkman 2011)

# METHODS OF PERFORMANCE APPRAISAL

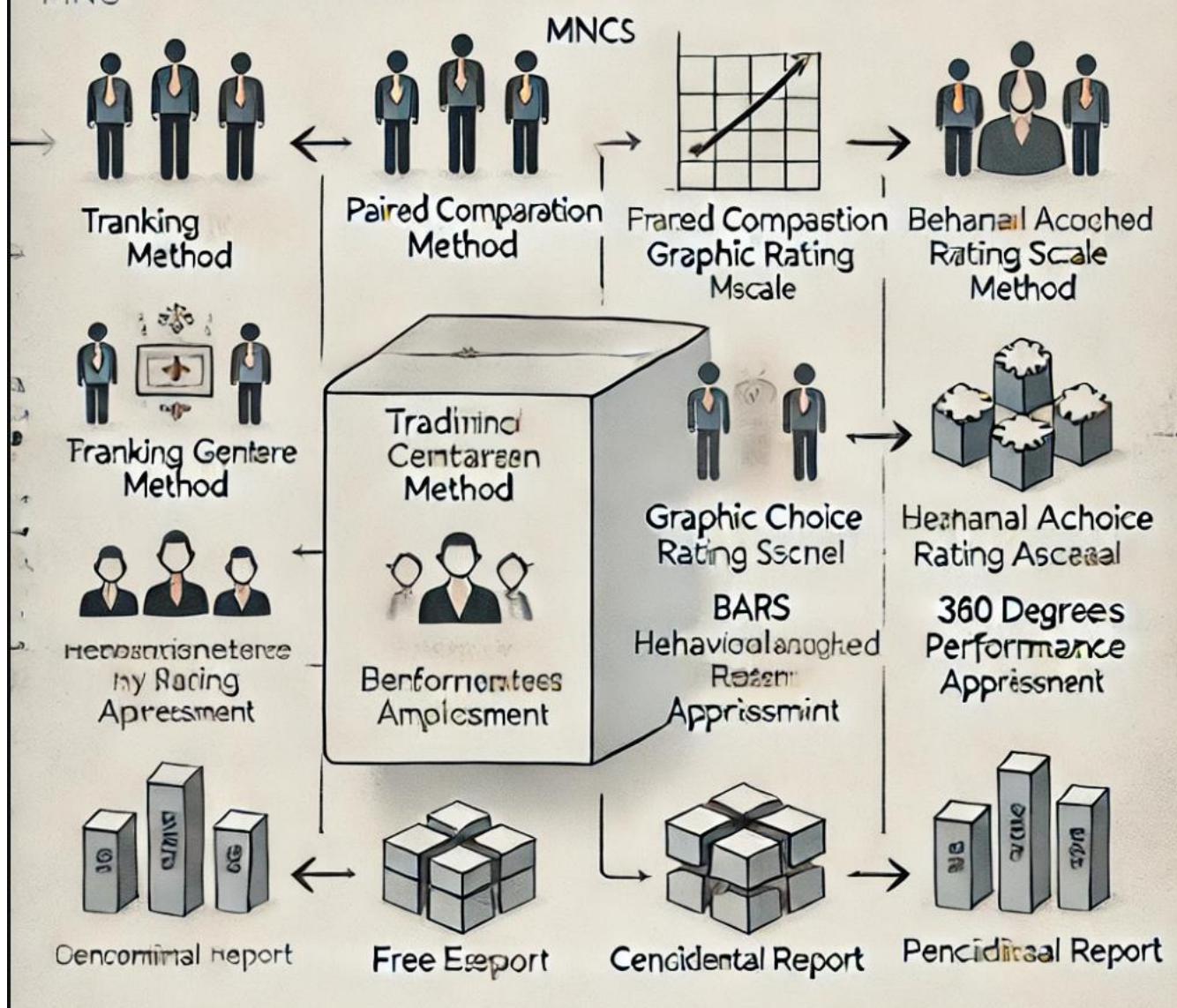


Fig : comparative analysis between MNCs and Indian companies

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## 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, industry, 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 expectation of Indian employees, who may be less accustomed to transparent, metric-driven evaluations (Chakrabarty, 2001).

s.no	approaches	percentage respondents	of	MD	Effectiveness
1)	ABSOLUTE STANDARDS	Org-1	Orga2		
	a) Performance expectation forecast				
	Superiors analyses plans carefully	58.61	62.75	4.14	Org-2
	Performance appraisal system measure relative worth of job	60.28	65.13	4.85	Org-2
	Performance appraisal system useful to estimate SWOT analysis of employees	53.89	60.63	6.74	Org-2
	Mean value percentage	57.59	62.83		
	b) About performance rater				
	Qualified evaluator is appointed for you	62.5	73.13	10.63	Org-2
	Qualified evaluator has sufficient knowledge	58.75	60.38	1.63	Org-2
	Evaluator understand practical requirement and problems	64.72	71.13	6.41	Org-2
	Evaluator knows to evaluate performance as per format	63.06	65	1.94	Org-2
	Evaluator knows procedures and rating formats	62.36	62.38	0.02	Org-2
	Mean value percentage	62.27	66.4		
	c) Appealing for justice				
	I have opportunity to appeal	61.39	69.63	8.24	Org-2
	I have confident about my review	62.92	60.63	2.29	Org-1
	I can object if appraisal is unbiased	61.39	62.63	1.24	Org-2
	My appraisal report reevaluated if I apply	62.5	63.25	0.75	Org-2
	I have no stress to appeal	66.94	62.69	4.25	Org-1
	I have opportunity to communicate my feelings	61.49	68.63	7.14	Org-2
	Mean value percentage	62.77	64.57		
2)	CONFIGURABLE JUSTICE				
	D) Accuracy of performance ratings				
	Performance appraisal Represent how well work has performed	58	68.63	10.63	Org-2
	Performance appraisal exactly reflecting what the work I did in the organization	61	65	4	Org-2
	Performance rating involves my overall effort that I give	62.06	64.31	1.036	Org-2
	My current performance ratings was based on my effort that i put in the work	61.14	68.01	6.87	Org-2
	Mean value percentage	60.55	66.47		
	E) Concern over all performance rating				
	Actual performance rating given even if it might upset me	63.19	69.25	6.06	Org-2
	Performance rating is the result of application of performance standards	62	71.94	9.94	Org-2
	Performance rating does not reflect raters personal likes and dislikes	61.69	66.37	4.68	Org-2
	Mean value percentage	62.29	69.18		
3)	INFORMATIONAL JUSTICE				

	F) Understanding performance expectations				
	Performance Targets are clearly mentioned	61	66.13	5.13	Org-2
	Standards used while evaluating performance	58.21	67.23	9.02	Org-2
	Mean value percentage	59.6	66.68		
	G) In process performance feedback				
	Performance improvement changes are explained	61.89	66.75	4.86	Org-2
	Regular feedback is given by the superior	55.64	65	9.36	Org-2
	Supervisors giving suggestions to increase performance	62.21	74.79	12.58	Org-2
	Performance evaluator gives progress about your work	50.83	70.13	19.3	Org-2
	Evaluator suggest changes to improve my performance	61.67	70.38	8.71	Org-2
	Mean value percentage	55.44	69.41		
<b>4)</b>	<b>INTERPERSONAL JUSTICE</b>				
	H) Rater's behavior				
	Supervisor plans carefully	62.31	67.7	5.39	Org-2
	Superior is polite and kind towards me	61	77.63	16.63	Org-2
	Superior treat me with dignity and respect	60.97	67.1	6.13	Org-2
	Superior always gives guidance and rectify my mistakes	63.86	66.88	3.02	Org-2
	Mean value percentage	62.02	69.82		

Table1.1 :Comparative analysis by frequency distribution

## # 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.
- Frequent & 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 promotional 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: Employee's 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 technique are still transitioned towards Competency-based models and data driven assessments.

### # Comparative Analysis : Indian Vs 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 subjective and relational evaluations
- feedback frequency: MNCs provide structured, frequent feedback. Indian Companies may use less formal, occasional feedback channels.

- Adaptation to culture: Indian Companies Integrate cultural consideration directly into appraisals, while MNC may adopt only when necessary.
- Modern technique usage: MNCs widely implemented 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	Supervised, rated, 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 review more frequently than Indian companies, aligning their evaluation with quarterly or bi-annual project cycles. This helps in maintaining regular feedback and aligning employee goal with organisational goals frequently.

- Methodology used: Most often MNCs use advance methods like 360° 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 promotion 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
- If 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 aligned 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 projects 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 markets 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 approach, 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.

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