

Performance Appraisal Practices in the Leading Multinational Companies of Bangladesh

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ABSTRACTS

This article enquires the status quo of performance appraisal scenario within the leading multinational companies at work in Bangladesh. To this end, seven top-ranking MNCs were selected in respect of a multitude of variables, such as initial motives for PA process, positive outcomes, limitations, human errors, criteria for PA conduction, impact PA process on employee loyalty, the frequency of occurrence, the authorities in charge of PA process, employee training facilities, employee satisfaction with the existing assessment practice, rewarding system and so on. The degree to which these variables work as contributing factors has been put to test through appropriate varieties of statistical measurements. The findings are revolutionary and have been exhibited with detailed information of the sample set. The study then proceeds to address the problems and propose the recommendations on the limitations that have surfaced during the discussion.

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Introduction

Performance appraisal has a pride of place in the field of human resource management. Since the human assets in an organization ought to be intelligently handled and organized, companies need to establish a sound performance assessment system in order to make the most out of their employees' potentials. When there exists a culture of accountability, evaluation and comparison in the heart of most organizations, it is expected that their employees will comply with the standards of the performances.

The act of performance appraisal works as a basis for evaluating employees' contributions to any companies. It is normally done through the chain of hierarchy-- the subordinates are liable to the supervisors—which is in place in the organizations. However, there is always an expectation on the part of employees that their works are valued and that they are given due recognition. Appraisal can be both through rewards and reprimand. The performance appraisal process systemizes a work environment where the violation of company's code of conduct is also brought to notice and the employees implicated in the breach of the code of conduct are normally treated according to the roles they have played.

As there are a plethora of modern tools to evaluate, companies across the world are increasingly looking into the effects of the employment of such tools on the overall performance of their enterprises. Of the importance of the performance appraisal system and its modus operandi, Trost said (2017):

“If an HR manager says they have ‘introduced performance appraisals at their company’, it means they have implemented a system. It’s not about Mr Smith talking with Ms Jones, but rather about all managers regularly conducting specific evaluations together with all employees, and making certain decisions. This system is governed by special rules and standards, usually defined by the HR department. The judgments and decisions then serve as the basis for many HR activities.” (p.7)

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As is evident from the preceding quote, it is not only conducting a certain set of evaluations but it also warrants that the companies concerned make much smarter decisions than before based on the outcome of the existing performance appraisal.

Indeed, there are always motivations at work when companies undertake a performance appraisal within its heart of organizational structures. To underscore the importance of such an evaluation system, Kressler (2003), “The point of performance appraisals is to see if the people under contract are performing as well as they can, and also to assess whether they are being fairly rewarded (their remuneration, like their duties, is subject to contractual agreement)” (p. 47). In so far as the outcome of the evaluation is concerned, it is therefore an integral part of the organization’s human resource management. It is rare that you would not find any organizations anywhere in the world, which do not value this system of assessment.

This article focuses attention on the following as the set of ultimate objectives –

- Scrutinizing the status quo of performance appraisal practices in the top MNCs working in Bangladesh.
- Bringing to light the main catalysts for employee turnover in the companies.
- Crystalizing the concepts of assessment tools to measure employee satisfaction for a better projection of the companies’ future performance.

Methodology

The research work pivots upon seven highly ranked MNCs in Bangladesh as the sample set which encompass British American Tobacco (BAT) Bangladesh, Unilever Bangladesh, MetLife Bangladesh, Marico Bangladesh., Nestle Bangladesh, Arla Foods Bangladesh, and Novartis Bangladesh. Exploratory research method has been adopted to investigate the study from the perspective of depth of scope. It is a mixed method of research in terms of the procedure through data were gathered. The research is based entirely upon primary sources of data. That is, by means of semi-structured questionnaire and in-person as well as phone interviews rather than secondary sources. The subjective sampling has been used to constitute the sample set which is also called purposive or non-random sampling technique. According to this sampling technique, a number of certain relevant attributes is taken into account in order to form the sample set. From the CEOs, head of HR, manager to senior executives, junior executives were counted as the respondents so that the authentic information can be probed judging by multiple bodies along the hierarchy of the organizations.

Literature Review

The multi-national companies (MNCs) in Bangladesh have been enjoying tremendous success over the last decade. Even during the period of pandemic, they seemed to have coped with the emergencies in a remarkable manner when we examine them in comparison to other local companies. Speaking of the resilience of the MNCs in the country, Habib (2022) wrote, “The average sales growth of the listed MNCs was 9.41 per cent from 2015 to 2020 and the profit growth stood at 9.22 per cent, according to data compiled by UCB Asset Management” (para. 3). In consequence, MNCs “comfortably outpaced the listed local companies as the average sales growth of the domestic firms was 6.7 per cent whereas their profit growth dropped 1.4 per cent during the six-year period” (Habib, 2022, para. 4). At the height of the pandemic in the country, “all the listed companies went through upheavals due to economic pressures caused by the pandemic, but MNCs were less impacted. Profits of all the listed companies plunged 34 per cent on average in the year, while the MNCs’ profits dropped only 10 percent.” It testifies the growth and the thriving resilience of these companies in the country.

Given the lucrative *status quo* just mentioned above, it arouses the interest for an investigative study of the performance appraisal practices in the multinational companies located in Bangladesh. The performance appraisal (PA) process is the arena that encompasses a crucial part of the human resource management (HRM) from a very initial level. “PA

means many things to many people. It is a measurement process; it is an exercise in observation and judgment; it is a feedback process. It is a control device, which is used by the organization to accomplish their predetermined goals. Performance refers to an employee's accomplishment of assigned tasks" (Mathis and Jackson, 2005, as in Akkas 2017, p. 302).

To illustrate the concept of the performance appraisal process, we can adduce the famous exemplification of Trost (2017), who said, "If an HR manager says they have '*introduced performance appraisals at their company*', it means they have implemented a system. It's not about Mr Smith talking with Ms Jones, but rather about all managers regularly conducting specific evaluations together with all employees, and making certain decisions" (p. 7). For such a system to function properly, it has to be "governed by special rules and standards, usually defined by the HR department. The judgments and decisions then serve as the basis for many HR activities" (Trost, 2017, p. 7).

This research has focused upon an extensive picture of the performance appraisal scenario among the MNCs working in Bangladesh. It was evident that they all are very much aware of the performance appraisal process in the present time than they were before and attach great significance to it. To add credibility to this fact, it can be mentioned that all of the MNCs said to have a depth of knowledge on the performance appraisal process. From this one hundred percent positive response, they were again put to test to investigate the intensity of it on the measurement scale where respectively sixty percent of them ticked 'very much', thirty percent 'much' and ten percent 'just enough'. There was not a single negative response from the respondent MNCs on this question. One of the most important human resource management practices, the performance appraisal system designates a process by which an employee's performance is quantified in clearly defined criteria. In addition, performance appraisal is intended to "improve individual performance and productivity" (DeNisi and Murphy 2017, p. 7).

There are two basic ways in which the employees can be appraised: individually or collectively. The traditional manner is the individual appraisal whereas the less common practice is the team appraisal as the latest outcome has derived from our research. A vast majority of companies, about eighty percent, apply individual appraisal. However, there is another aspect to this phenomenon, that is, an employee's ability to work in collaboration with other employees is also a yardstick of potentials as mentioned by a minority of the respondents on this issue. In this respect, Mayhew (2017) said, "When supervisors appraise individual employees' abilities to work collaboratively with others, the appraisal also includes an employee's ability to determine when or if collaboration is necessary" (para. 2).

There has always been some initial thought that ignited the MNCs into taking action for the performance appraisal process in their organizations. When they were interrogated about the system, a variety of answers came up, a reality that forces us into the belief that it is not necessary that all of the MNCs start the system of performance appraisal from a unanimous outlook. However, the factor most frequently stressed in this case was 'promotional requirement' which is often followed by a host of other aspects.

The multinational companies adopt different approaches to the testing of their workforce in a wide variety of ways. "Multinational corporations structure and staff their subsidiaries in different ways." (Perlmutter 1969, Heenan & Perlmutter 1979, as Maley, and Kramar, 2007, p. 1). Indeed, the processes of performance appraisal is so diverse that researchers often find them baffling to enumerate them. "For the sake of simplicity, we can group them into three categories: the judgmental approach, the absolute standards approach, and the results-oriented approach" (Bratton and Dessler, 2012 as in Lunenburg, 2012, p.1).

Since performance appraisal (PA) is the way of evaluating how well employees discharge their duties when compared to a set of standards, and then communicating the message to them, researchers often made use of a wealth of terms, including employee rating, performance review, performance evaluation etc. to describe them. Concerning methodical procedure, there has also been revolutionary change in the recent years. The companies have shifted to new and more improved set of methods for assessing performances in synch with their purposes. They often use several methods than just one. Among the MNCs, the rating scales was the most commonly practiced PA method.

As for the importance of the performance appraisal system within a company, Gilley et al (2009) said, “The process is twofold: (1) rating performance against company-set standards, and (2) providing feedback as to quality of work performed” (p. 132).” When a company settles on a performance appraisal system, it asks itself “which decisions and judgments does it need when, from whom, and for what?” (Trost, 2017, p.15). Once the objective of the performance appraisal is clear, the company crosses the first threshold of a resource management challenge so far as the staff evaluation is concerned. As far as the authority in charge is concerned, to whom the PA process is accountable to, the maximum number of MNCs now seem to lean toward immediate supervisors. The closeness in terms of accountability and less communication gap are the facets that propel companies to this type of chain of command in PA.

It is often said that a performance appraisal is always time-bound. It does not happen anytime and anywhere. “A performance appraisal is an evaluation done on an employee’s job performance over a specific period of time (Lotich, 2018, para. 4).” Even though a few companies conduct appraisal system on an unfixed and occasional basis, that ratio stands at the lowest. The highest proportion chooses to carry out performance appraisal process at fixed times and twice a year. The second highest choice for them is to implement the process once a year without fail.

The Findings & Analyses

4.1 Familiarity with the Concept of PA:

In response to the question of familiarity with the concept of performance appraisal system, all of the multinational companies in the sample set were on one side; that is, in the affirmative. This scenario is exhibited by means of the figure 1.

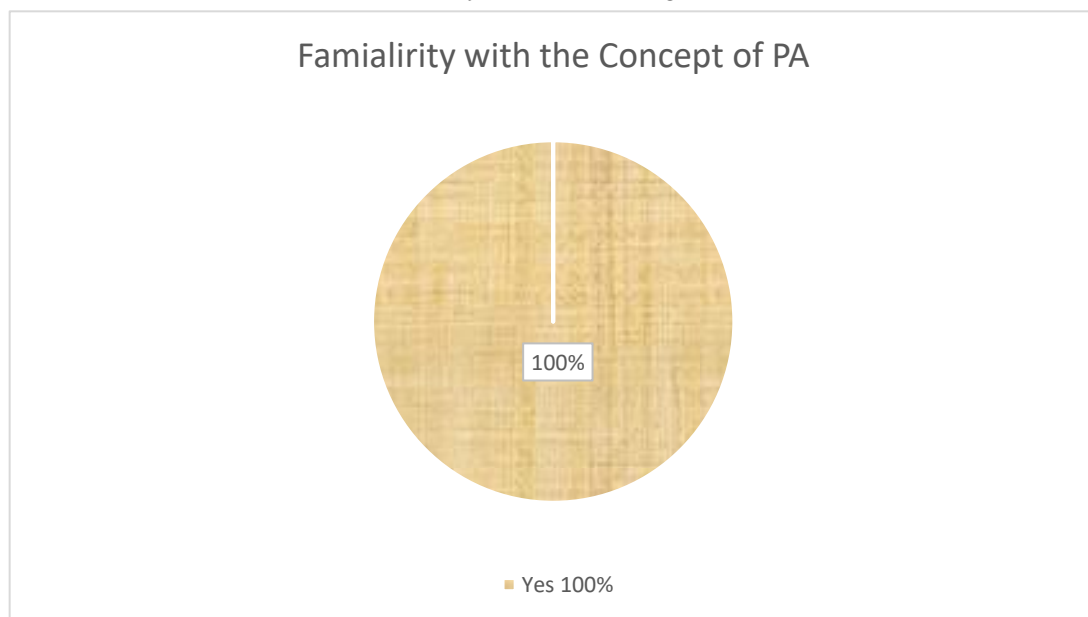


Figure 1: Familiarity with the Concept of Performance Appraisal

Knowledge on PA:

As far as the depth of knowledge on performance appraisal system is concerned, most of the responded (60% of the respondents with ‘very much’) replied that they have a substantial knowledge on it. For the rest, 30% and 10% responses were ‘much’ and ‘just enough’ respectively.

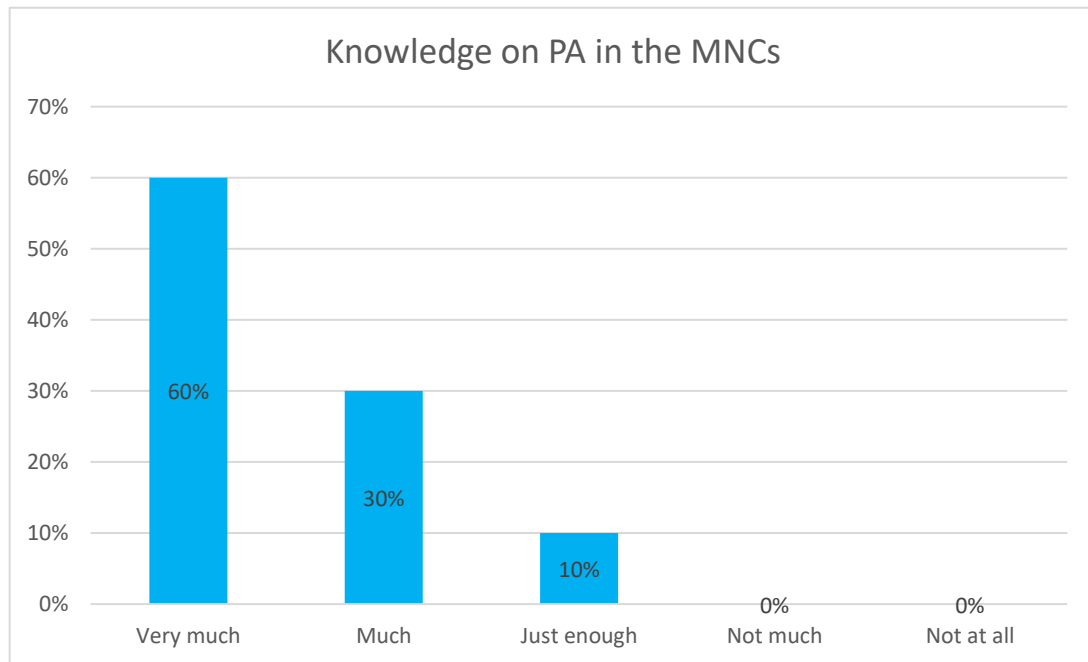


Figure 2: Knowledge on Performance Appraisal

Team Performance VS Individual Performance:

As to the choice between team performance and individual performance; the larger portion of the respondents was in favor of individual performance over team performance – to be precise – a ratio of 80% and 20%. The calculation of the majority in this case was that it is more effective to maintain a wholesome number of employees who might prove to be asset to the company. Whereas, a team may very likely contain both good and bad employees so that proper screening is comparatively difficult. By embracing individual assessment, there are more chances to single out the efficient employees.

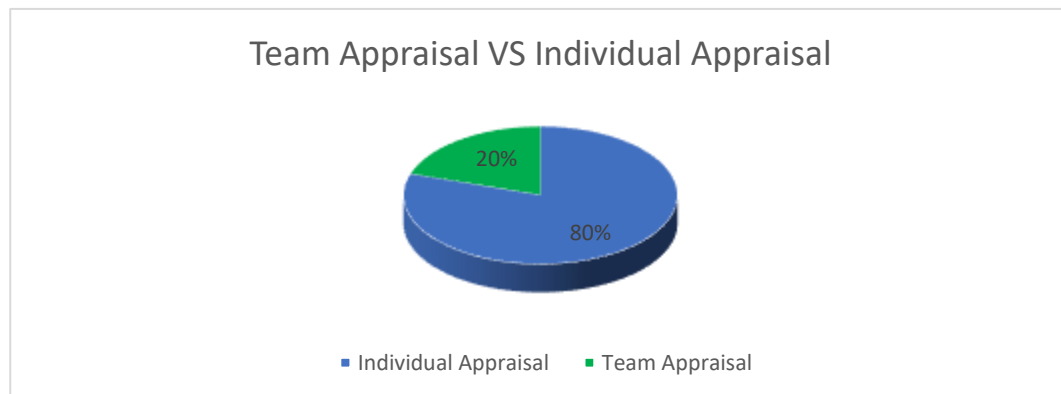


Figure 3: Team Appraisal VS Individual Appraisal

The Initial Motive for PA:

The initial motive that propelled the companies to consider appraising performances by the employees in the company range across several variables where the one that scored distinctly

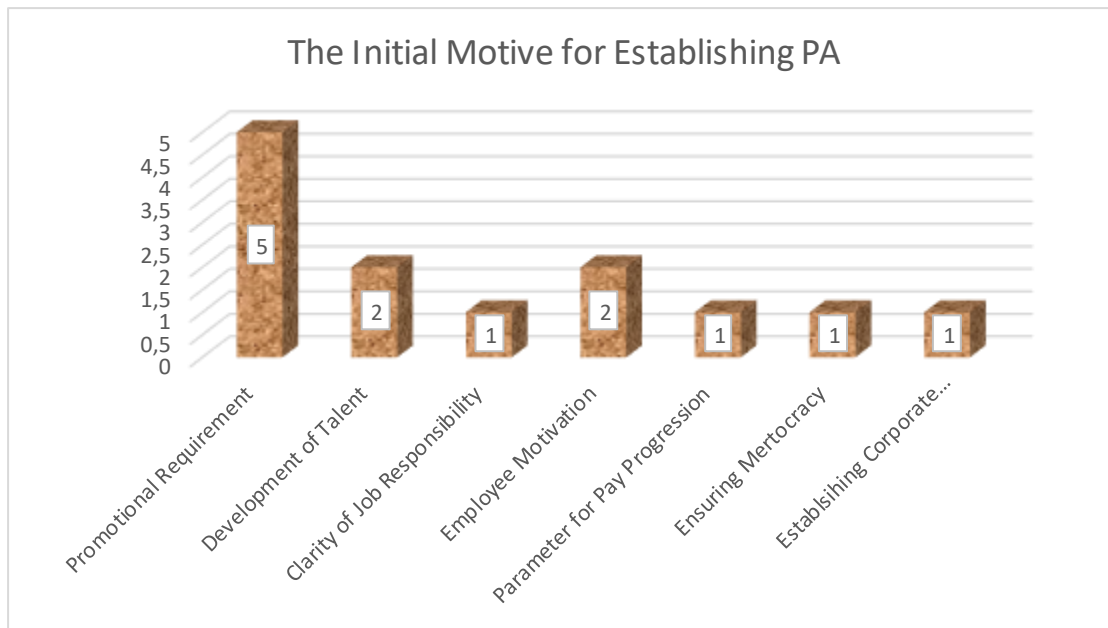


Figure 4: The Initial Motive for Establishing Performance Appraisal

the highest is 'promotional requirement. Other factors that came up with a far lower grade were 'development of talent', clarity of job expectation', 'employee motivation', parameter for pay progression', 'ensuring meritocracy', 'establishing corporate governance'.

The top objectives of PA:

The top objectives the companies had behind the establishment of performance appraisal are going to be depicted on a scale of number of times depending upon how often each of the variables were mentioned –

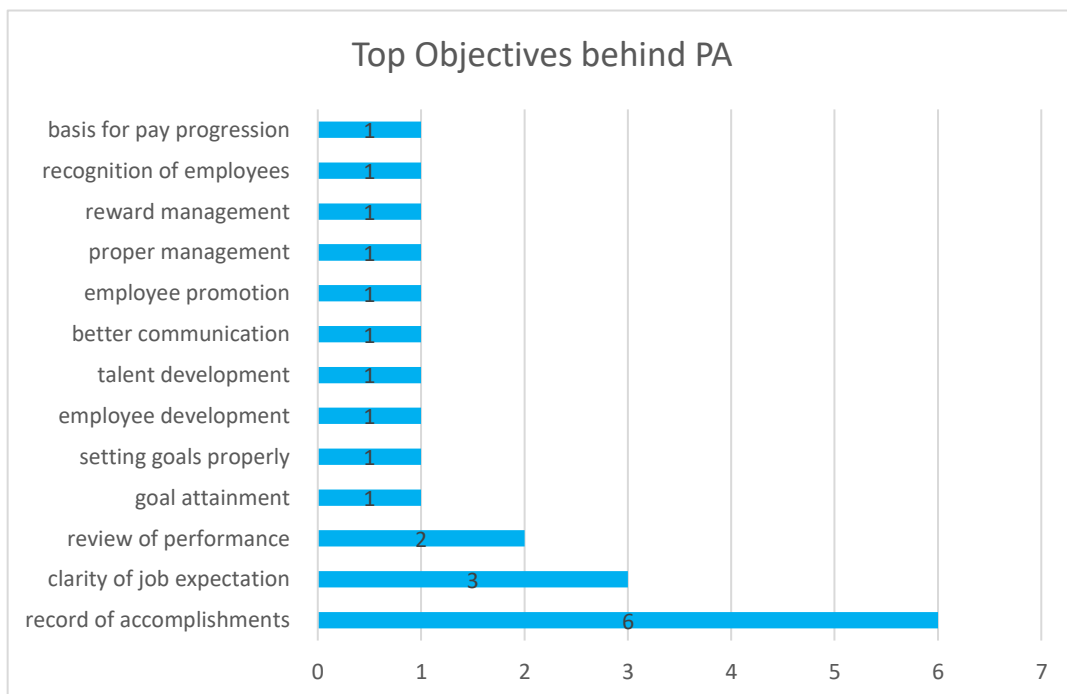


Figure 5: The Top Objectives behind Performance Appraisal

The top benefit / positive aspect of performance appraisal:

The top benefit or positive side of performance appraisal system in the companies stood at five variables which are consisted of ‘proper management’, ‘employee motivation’, ‘employee development,’ ‘reward management’, ‘parameter for pay progression’ – among these, the highest response derived from ‘proper management’.

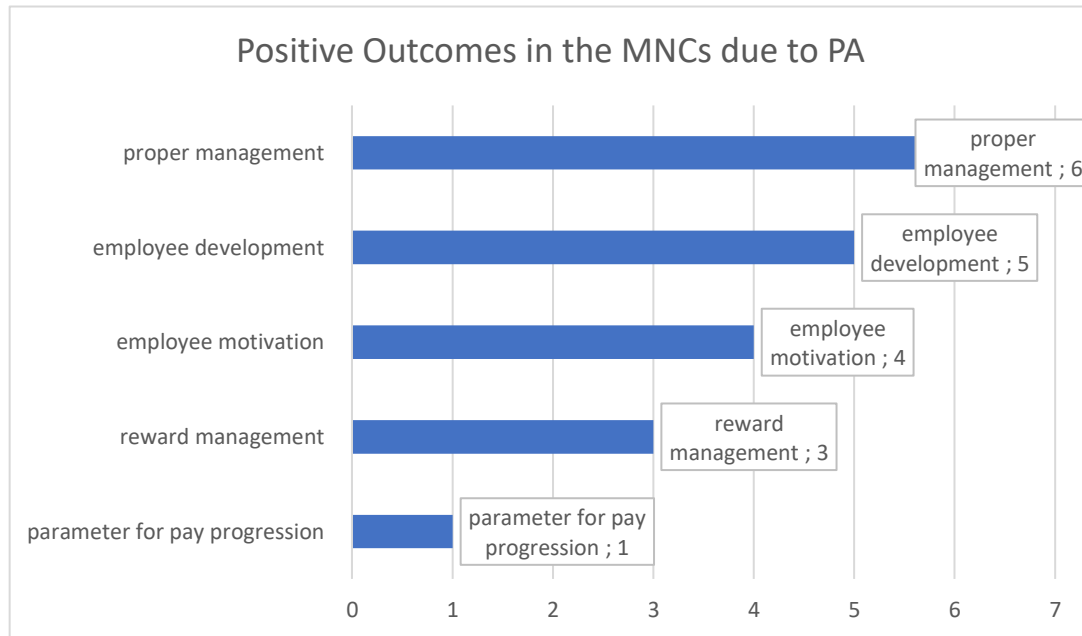


Figure 6: Positive Outcomes in the MNCs due to Performance Appraisal

The most crucial criteria in appraising employees:

The criterion that the companies follow to appraise the performance were divided in two groups – ‘employees job results’ and ‘employees’ behavior’ – which respectively stands at a 70% and 30% ratio as depicted in the figure below –

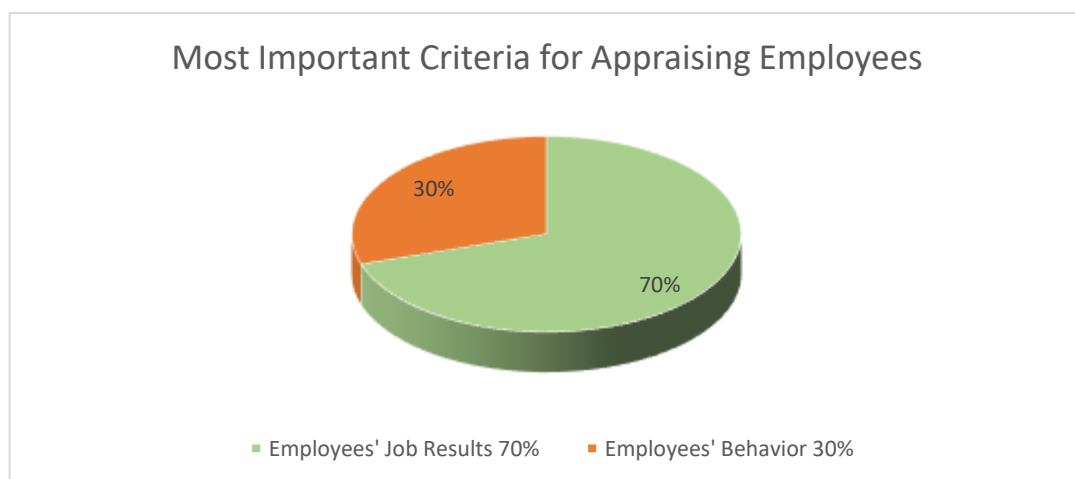


Figure 7: The Most Important Criteria for Performance Appraisal in the MNCs

Methods used in performance appraisal:

The methods that are followed in order to measure the performances by the company employees revolve around six variables encompassing 'essay appraisal', 'rating scales', forced choice', self-appraisal', management by objectives (MBO), 'management by results' in total where the method of 'rating scales' reaches the highest response.

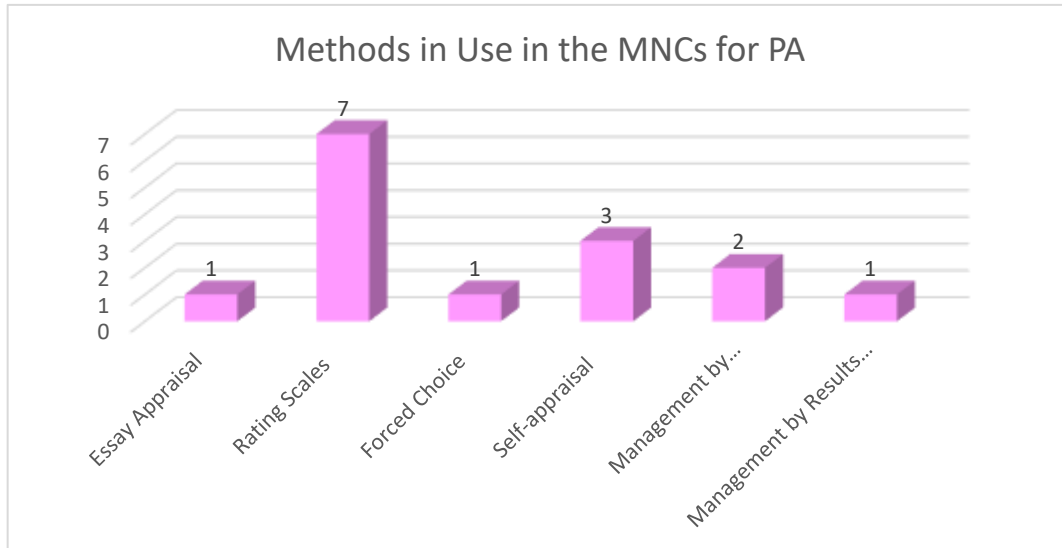


Figure 8: Methods in Use for Performance Appraisal

The authority to conduct performance appraisal:

The authority in place in order to evaluate employee performances revolve around 'immediate supervisor', 360-degree appraisal or feedback', 'self-appraisal', 'group appraisal', and 'top

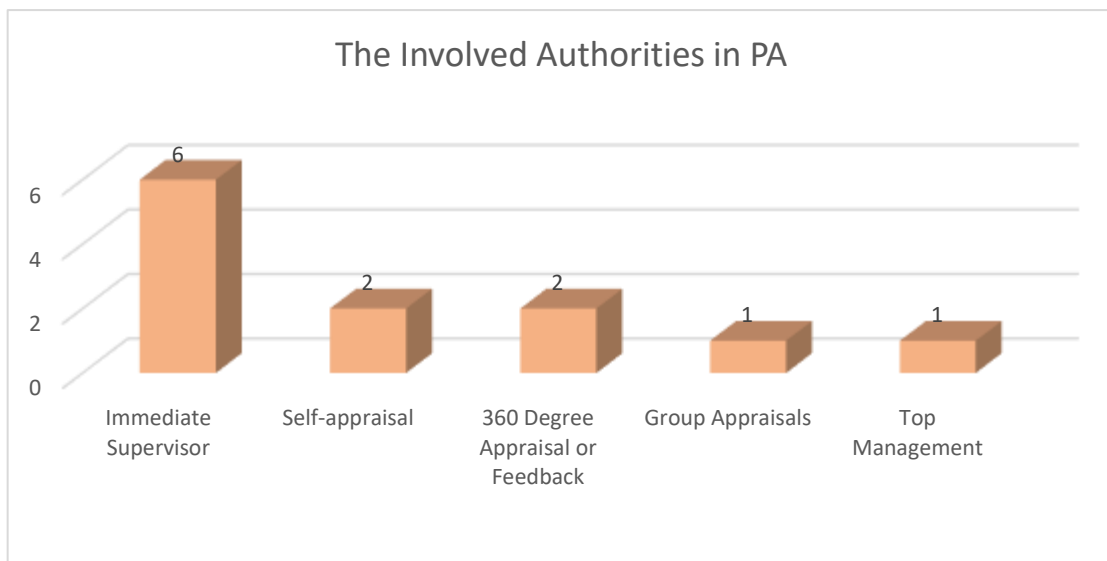


Figure 9: The Authorities in Charge of Performance Appraisal in the MNCs

management'. The most prevalent variable of authority in charge, as also visible from the figure below, turned out to be 'immediate supervisor'.

The frequency of conducting performance appraisal:

The frequency of carrying out performance appraisal can be categorized into the three times groups of 'once a year', 'twice a year', and 'occasionally' as delineated in the figure below -

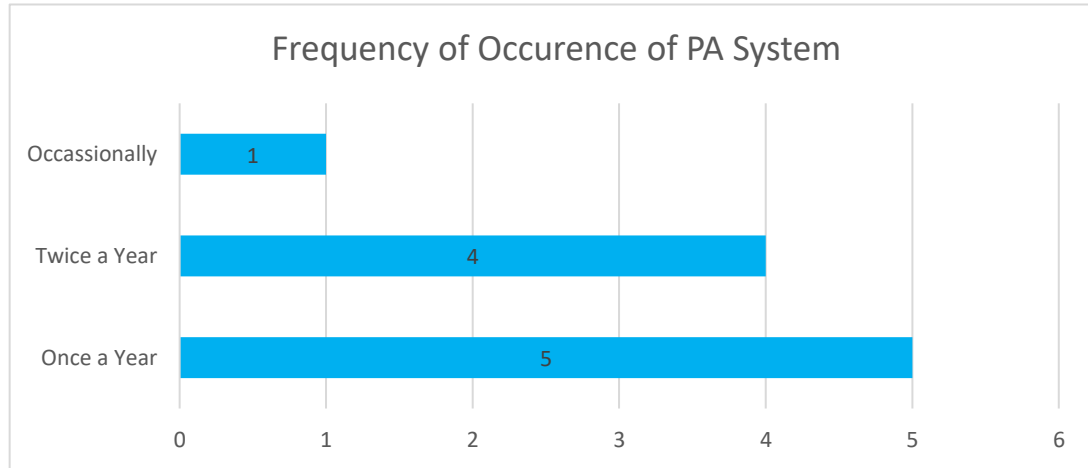


Figure 10: Frequency of Occurrence of Performance Appraisal

Preference for the occurrence of PA:

Preference for the more frequent occurrence of performance appraisal practices has scored very higher with 90%. In contrast, only 10% of the respondents were in favor of maintaining the status quo in terms of frequency of PA occurrence.

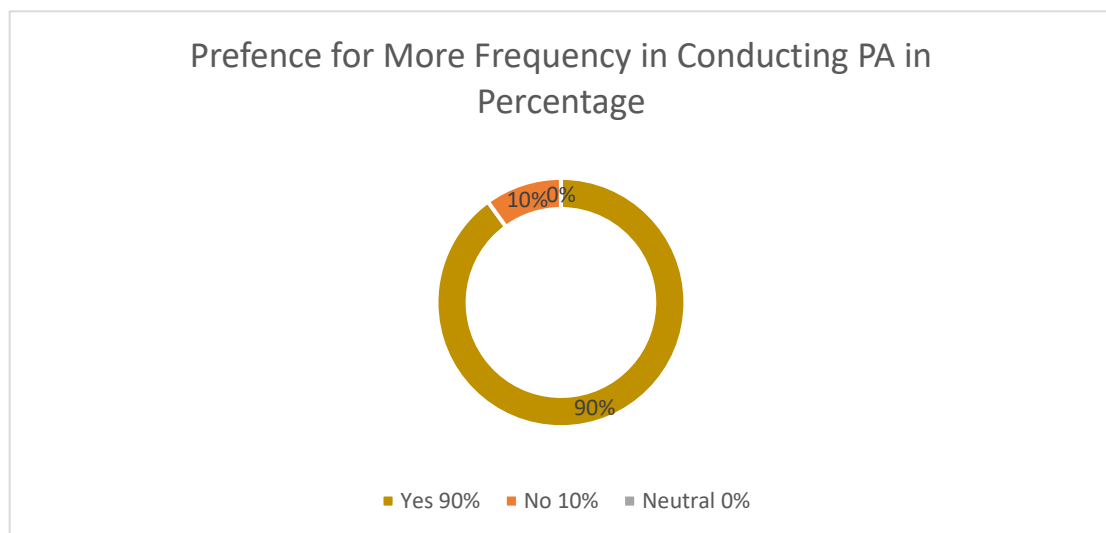


Figure 11: Preference for More Frequency in Conducting Performance Appraisal

In line with the previous figure 11, the degree of preference on performance appraisal to be on more of a frequent basis; the bar chart below (figure 12) expresses it on a measurement of a liker scale.

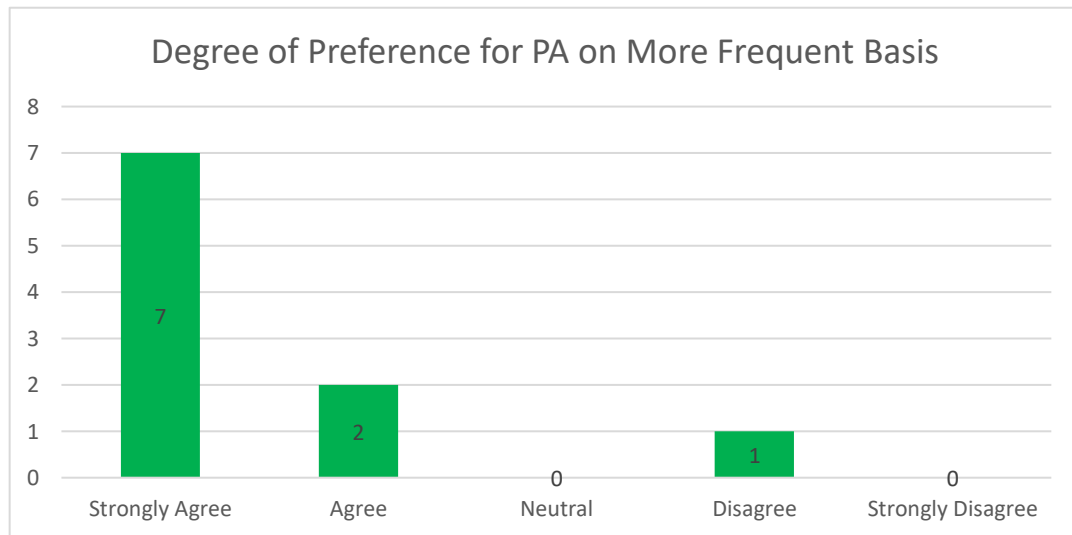


Figure 12: Degree of Preference for Performance Appraisal on More Frequent Basis

The nature of relation between PA & employee loyalty:

The nature of relation between performance appraisal and employee loyalty is positively related (employee loyalty increases in line with more & better performance appraisal practices) in 90% cases according to the responses received. Merely a 10% of indifferent relation was mentioned while without any response for a negative relation between the two factors. Moreover, respondents who voted for a positive equation share a space of 'agree (5)', 'strongly agree (4)' whereas the rest of it falls in the 'neutral' arena. The following two charts (figure 11, figure 12) explain the scenario respectively in percentage and the state of its extent.

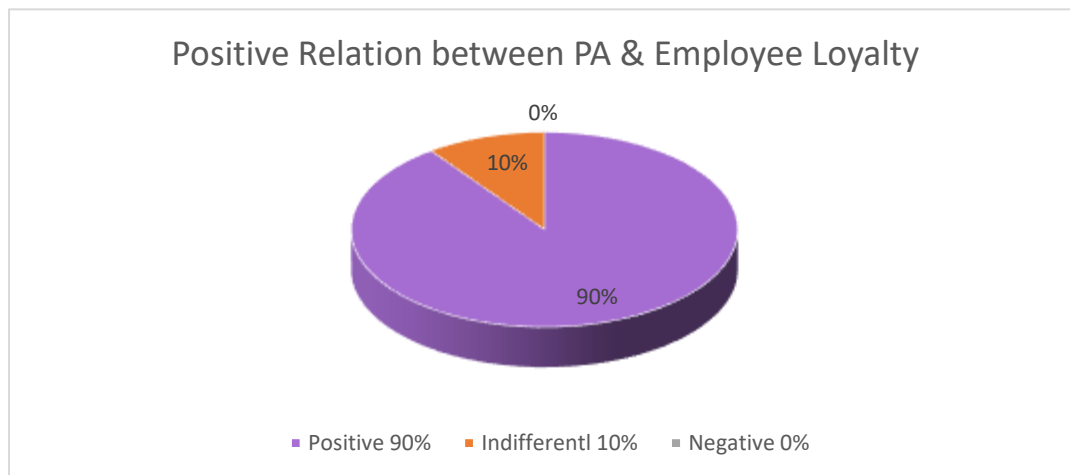


Figure 13: Positive Relation between Performance Appraisal & Employee Loyalty

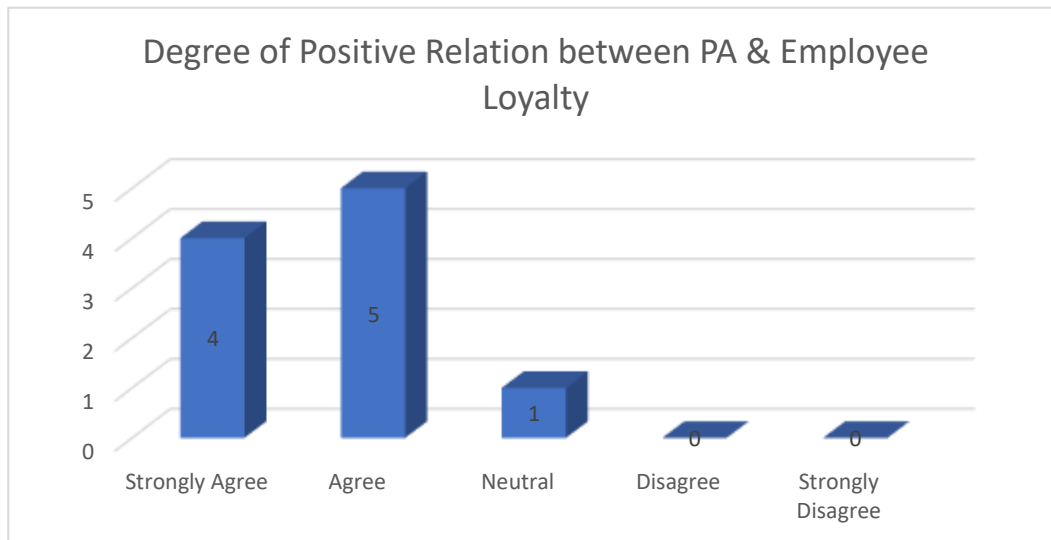


Figure 14: Degree of Positive Relation between Performance Appraisal & Employee Loyalty

The nature of relation between PA & employee brand value:

The nature of relation between performance appraisal and brand value is, for the major part, positively linked (brand value increases with more & better performance appraisal practices). According to figure 13 below, the only 20% of the respondents negatively related performance appraisal with brand value.

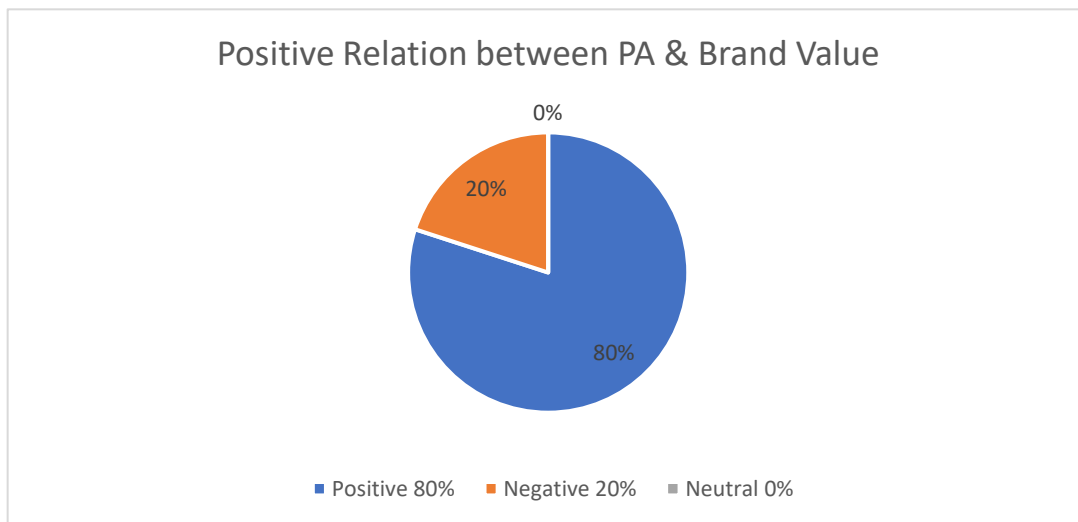


Figure 15: Positive Relation between Performance Appraisal & Brand Value

From the figure 14, the degrees of 'strongly agree' and 'agree' share the percentage of 40% each in the 80% positive responses. Reversely, from the rest 20% responses, both the 'strongly disagree' and 'disagree' stand at 10% respectively.

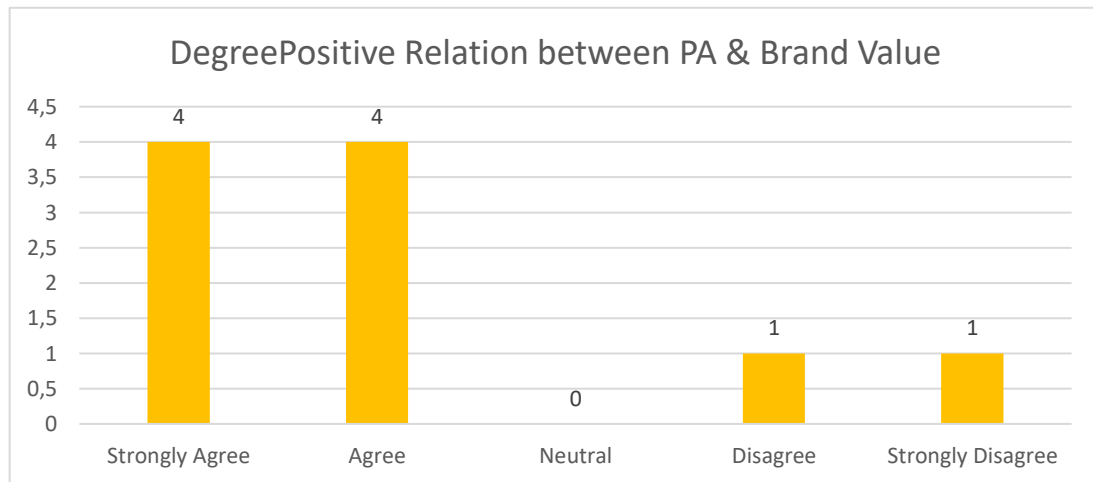


Figure 16: Degree of Positive Relation between Performance Appraisal & Brand Value

The Limitations in performance appraisal

The negative aspect or limitation faced in conducting the performance appraisal system strikes the highest when it comes to 'negative feedback being faced with resistance'. This complaint categorically came from employers' end. It is then followed by another very common complaint that reversely came from the side of employees, is the hindrance caused by 'nepotism' problem in the companies. Other than that, with a very low possibility, the drawbacks of 'time consuming' factor and too much 'dependency on human assistance' are seen as hindrances in the performance appraisal system.

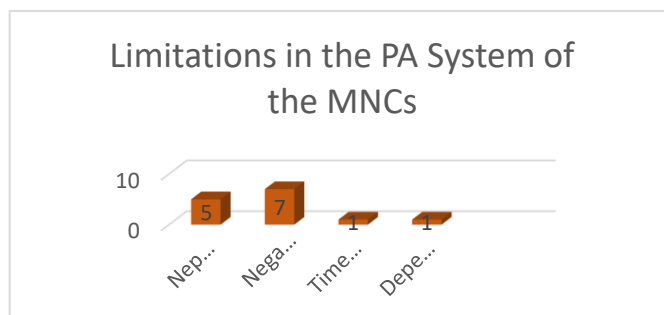


Figure 17: Limitations of Performance Appraisal Systems in the MNCs

The Human errors in PA system:

The human errors (figure 18) that have surfaced in conducting performance assessment in the MNCs make up 'halo effect (5)', 'personal bias (4)', recency error (4)', 'evaluation of person instead of performance (2)', 'spillover effect (1)', 'contrast error (1)', and lastly 'fear of spoiling relations'.

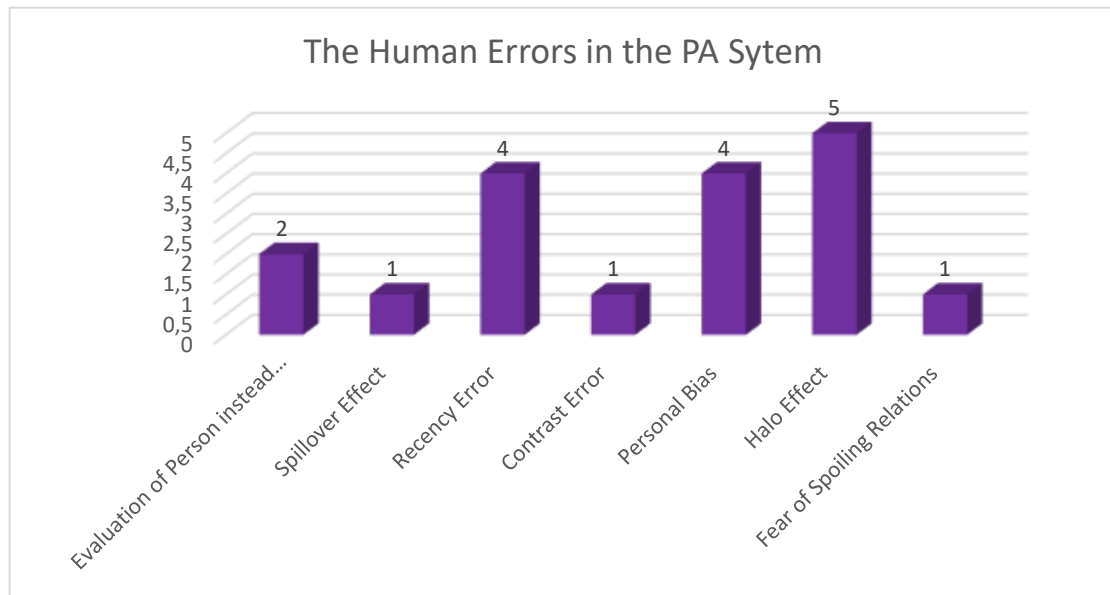


Figure 18: Human Errors in PA

Sufficiency in training facilities in the MNCs:

Training and development programs are massively important for improving employee performances which ought to be initiated and facilitated by the companies in sufficient arrangements. Whether or not the companies provide sufficient training sessions for the employees –to this query, 80% of the respondents gave an affirmative reply.

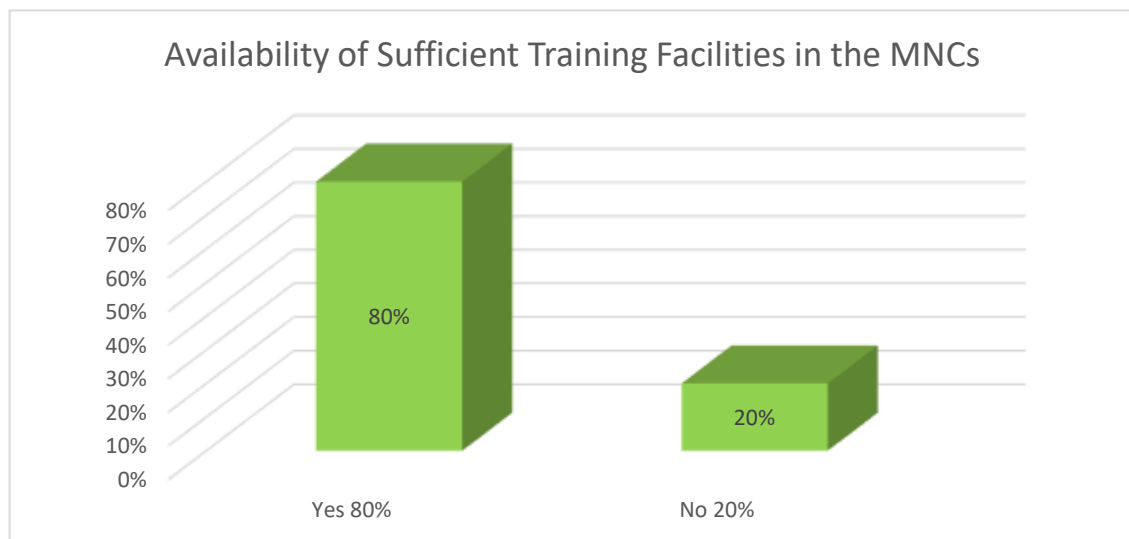


Figure 19: Sufficiency in Training Facilities in the MNCs

Transparency in the rewarding system:

Whether or not and if yes, the extent to which the practiced reward policy in the company is well communicated to the employees are projected in the chart below (figure 20). Most of the respondents responded in the affirmative that the performance appraisal system is well communicated to the employees.

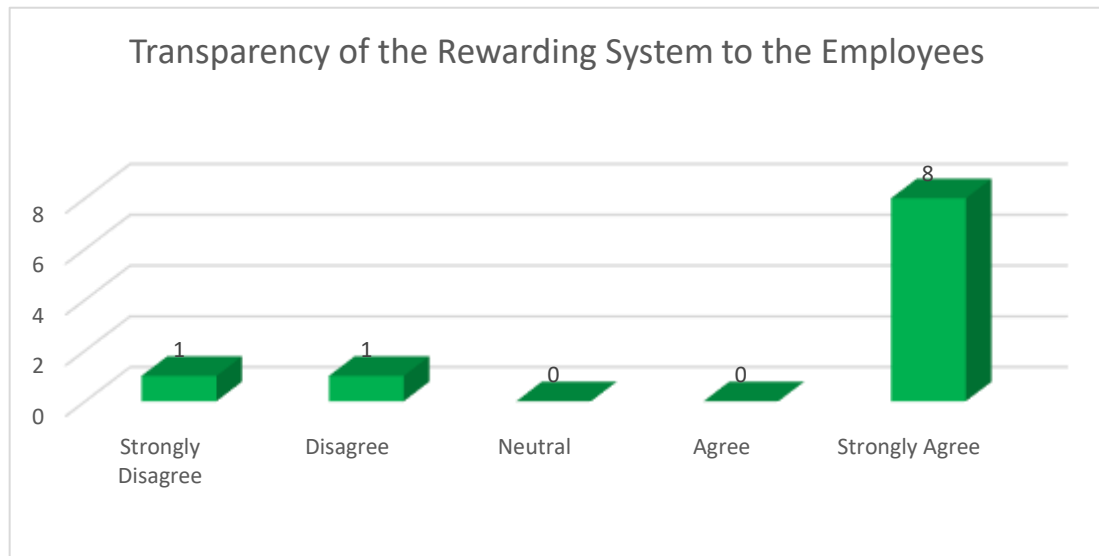


Figure 20: Transparency in the Rewarding System

Certainty of promotion if well performed:

If the employees perform well, they are assured to be promoted – this statement was targeted to the respondents and with a huge higher percentage (90%) of positive response was received from them. There was not neutral answer and only 10% of the response was on the negative.

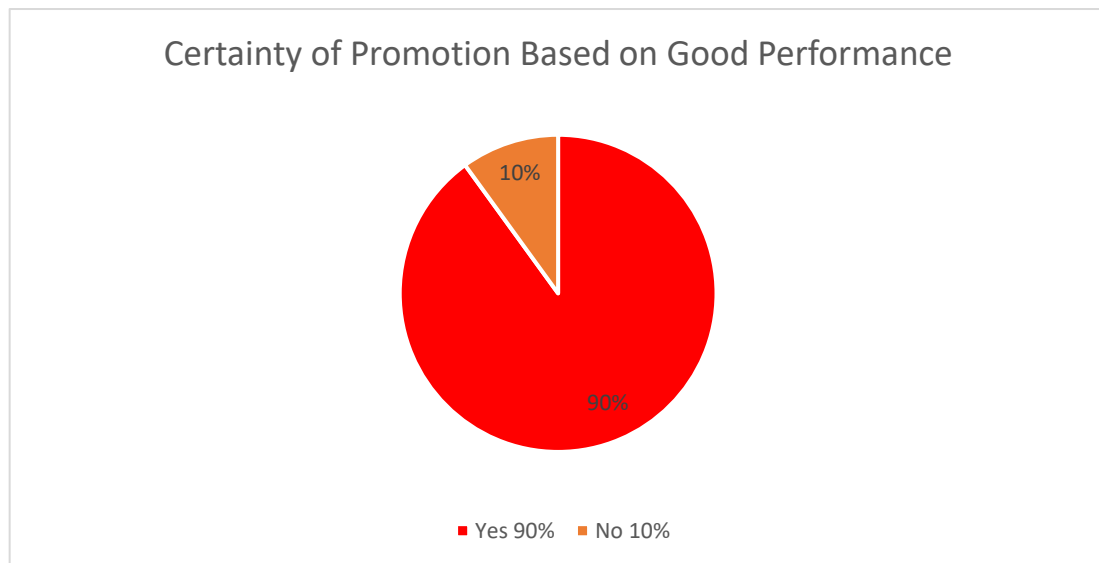


Figure 21: Certainty of Promotion based on Good Performance

Accepting tendency of suggestions on PA made by the employees:

Whether or not the suggestions on the part of employees are taken into consideration in connection to performance appraisal – it came out that in 90% cases the company welcomes suggestions from its employees. Conversely, only 10% responded otherwise.

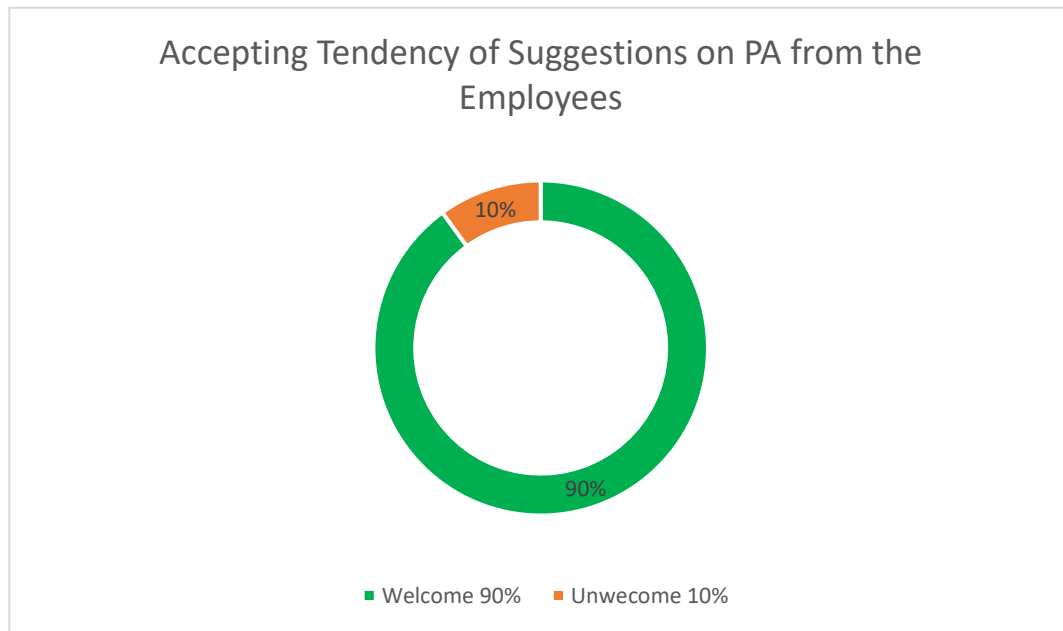


Figure 22: Accepting Tendency of Suggestions on PA from the Employees

The satisfaction level:

On the whole, the satisfaction level of the respondents upon the practices performance appraisal system in the companies is relatively much higher in comparison to the 'dissatisfied (10%)' and 'neutral (20%)' clusters with 70% ratio.

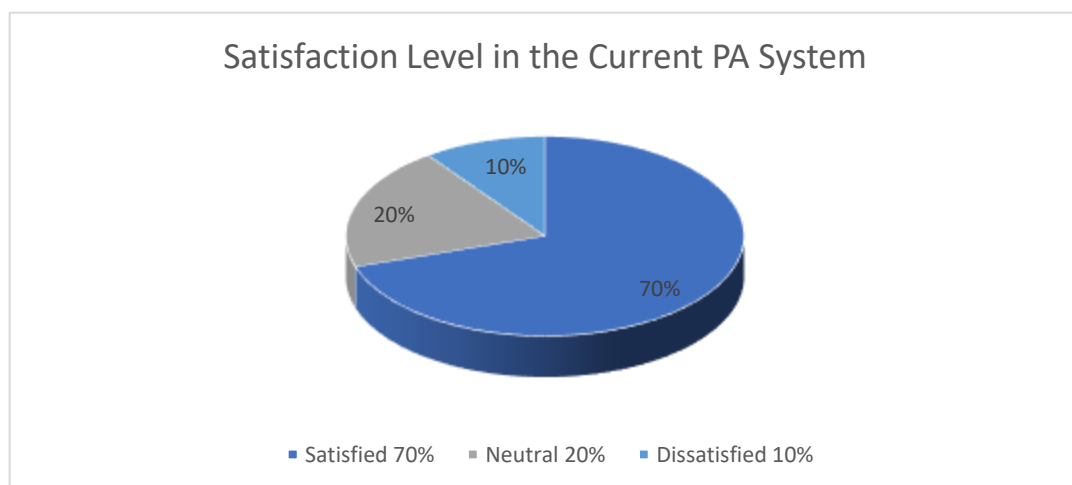


Figure 23: Satisfaction Level in PA in the MNCs

Conclusion & Recommendation

The sector of multinational companies in Bangladesh in function has outstood many other contemporary sectors. Even in during the plight of Covid-19 pandemic surge in Bangladesh, they commendably managed to hold onto their consistency in terms of revenue and growth. Therefore, conducting research on the performance appraisal practices in this arena posed as an alluring and much-needed conception to begin with. Especially, the issues of human errors that scored high, the limitations of the PA process, the expectations from the employees, the T&D needs for them that have come to light in this study demand special attention. The stream of revelations that have come out through this study is eye-opening and worth putting

into action. In order that the appraisal process of performance can be disserted to every detail, the data and information collection endeavors have stretched to each of the hierarchical levels that falls within the purview of PA process in the associated organizations. As a result, the perspectives and expectations from both the sides of supervisors and subordinates, employers and employees, raters and rates have been possible to derive in the most gratifying and wholesome manner. The findings and analyses through this research stand to cater to the similar future projects as a resourceful source.

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