

The effectiveness of the appraisal process in a multi-national software company

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Course: LPSY-319 Global Talent Management

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Performance appraisal is an evaluative process used in most multinational organisations, that delivers performance-related feedback from managers to employees (Spence and Keeping, 2011). Typically, appraisals inform the talent management process of identification of top talent (Mäkelä, Björkman, and Ehrnrooth, 2010). However, they are often disliked by employees and managers alike (Gorbatov & Lane, 2018), and may fail to successfully identify the most talented employees (Mäkelä et al., 2010).

Research has typically focused on performance measurement accuracy (Spence & Keeping, 2011), which is particularly complex for roles demanding high expertise (Ericsson, 2006). Furthermore, Spence and Keeping (2011) highlight that manager motivations may distort assessment. Mäkelä et al. (2010) describe a two-stage process to talent identification, with a talent review following performance appraisals. However, network bias, homophily bias and cultural distance may bias decisions, disadvantaging minorities and those in subsidiaries (*ibid.*). Many organisations deploy a globally standardised process, but Claus and Briscoe (2009) found cultural differences lead to differing execution of the process, affecting its perceived accuracy.

This qualitative study evaluates the effectiveness of the appraisal process in a multinational software organisation. Drawing upon semi-structured interviews with two HR professionals, it examines its international utility and seeks to identify barriers that affect likelihood of identifying individuals as talented.

Method

Participants

Participants were two Human Resource (HR) professionals, working in the United Kingdom (U.K.) headquarters of the organisation. Both hold roles with global responsibilities (see Appendix B).

Procedure

Semi-structured interviews were carried out and recorded using Skype for Business. The interview template is found in Appendix A. Participants were informed about the purpose and nature of the research and asked to provide written consent.

Data Analysis

A thematic analysis was carried out upon the transcribed interviews (see Appendix C). Resultant themes were chosen iteratively based upon both inductive and theoretical considerations, allowing participants' accounts to describe the particular characteristics of this organisation, while also enabling alignment with theory (Ryan and Bernard, 2003).

Results

Results of thematic analysis are described below. Table 1 presents a summary with illustrative examples.

Appraisal Process Objectives

The current process is considered temporary, awaiting a new Global Talent Management (GTM) implementation. Current objectives are formal performance monitoring, salary alignment, and to reward high performers. The importance of quality conversation between manager and employee was emphasised.

Process Features

Appraisals follow a global template with annual timescale. Both employees and their manager rate the employee's performance, then meet for discussion. Participants raised shortcomings of the current process, including the demotivating effect of ratings, reliance on individual subjectivity, and lacking skills and engagement of managers resulting in poor quality discussions. Salary alignment with ratings also motivates managers to rate inaccurately. Both participants observed recency bias affecting evaluations, compounded by the annual period.

Talent

Comprehensive GTM is not yet in place, currently being under design. There is no formal labelling of individuals as talented beyond achieving a high rating, although values and cultural fit are considered in this determination. The current process has failed to anticipate specific skills needed for the future, leading to necessity of external hires.

Multinational considerations

Considerations of national culture, works council requirements, employee mobility and international working relationships arise from the multinational nature of the organisation. Both participants remarked the organisation's size precludes knowing full details. Further points included differing needs based on age, and increased prevalence of autism spectrum disorder (ASD) in the engineering workforce.

Desired Future

Both participants expressed desire to align GTM with the overall business strategy. The new approach will capture high-performance and high-potential employees, reconsidering the use of ratings. The top priority is to train managers skills to enable

frequent, quality discussions with employees. A case study of Deloitte's reinvention of performance management is informing the approach (Gino, Green and Staats, 2018a; 2018b).

Table 1 *Summary of themes with illustrative evidence*

Category	Theme	Illustrative evidence
Objectives	Business level	“That was the HR strategy ... and the plan behind the appraisals and the calibration, and the strategy behind how we would align the salary review”
	Individual level	“It’s a formal opportunity to review an individual’s performance against the goals that they’ve set”
Appraisal Process	Features and related processes	“They arrange a conversation to discuss that form and the employee’s perspective. During that conversation the manager should also share their own views and perspectives”.
	Tools	“The system autogenerates an appraisal form”
	Shortcomings	<p>“When they know that actually this grading is going to influence [employees’] pay, [giving a rating] is very difficult for a lot of line managers to do. They don’t really agree with that as a principle ... so they want to grade them as high as possible”</p> <p>“Having an annual performance appraisal I think is very archaic these days because people want more regular feedback”</p> <p>“[Performance appraisals are] seen as a necessary evil rather than a benefit in some instances”</p>
Talent	Definition	“Talent is a mixture of potential and performance”
	Relationship to appraisal process	“Part of that process is we take the rating from the performance review as part of our guide to people’s potential”
Multinational considerations	Demographics	“People want more regular feedback. Particularly younger generations are expecting it”.
	Specific local considerations	<p>“The only thing we had to do differently because of being multinational is to be aware of the works councils, um, and the way we have to consult with them”</p> <p>“In India and possibly in APAC as well ... people have an expectation they will move rapidly up the hierarchy”</p>
	Challenges	“The challenges around making time to have a good quality conversation are the same, probably, regardless of culture”
Desired Future	New objectives	“We would have succession plans, but we’d also understand what are the skills, knowledge and experience that we need in the future for our organisation to be a sector leader”
	New GTM processes	“That requires the business to think in terms of capabilities in a different way, rather than jobs”
	Priority changes	<p>“The first thing we have to do is upskill our managers, and help our managers have better conversations”</p> <p>“I do feel quite strongly about not having the traditional ratings scale”</p>

Discussion

Participants' accounts reveal an appraisal process struggling to meet its objectives of salary alignment, reward and quality developmental discussion. However, many shortcomings are known, and substantial changes are planned that are grounded in research, simultaneously stretching for alignment of new GTM practices with business strategy (Silzer & Church, 2010). Challenges faced have resonance with literature regarding the appraisal process in multinational corporations (Mellahi and Collings, 2010).

Planned change includes addressing the demotivating effect of ratings. Assessment transparency is known to demotivate those not identified as talent and may increase intentions to quit (Pfeffer, 2001). A risk is exclusion from development opportunities for these individuals (Mellahi and Collings, 2010), but transparency may have benefit via increased commitment of those labelled as talented (Dries, 2013).

Lacking manager skills, motivation and engagement were perceived to cause inaccuracy, bias and lead to poor quality discussion. These assessments are supported by literature, particularly Spence and Keeping's (2010) finding that manager's rating accuracy is motivated by three goals, two which are observed here: maintaining a positive manager-employee relationship; and maintaining positive self-image. Both participants commented that few employees receive poor ratings, with one remarking the salary link to performance motivated managers to distort ratings. Additionally, distortion due recency effects is an issue identified in literature (Brown, Hyatt, Benson, 2010). However, Gorbatov and Lane (2018) caution that scrapping annual appraisals in favour of frequent feedback may present a false dichotomy, and there remains value in both. The most prominent need identified was for increased manager skills in holding quality discussions, to which the participants propose further training. While coaching skills are regarded a fundamental leadership skill (Law,

2013), in the context of the appraisal, Trost and Plank (2017) suggest trust-building discussion cannot be forced, which may limit impact of skills training.

Unexpectedly, minimal national variation in appraisal execution, as described by Claus and Briscoe (2009), was reported. Both participants assessed the most significant challenges to be applicable cross-cultures, which may mask local variations beyond these. Challenges relating to the specific demographics of millennials and employees with ASD were in alignment with literature on these topics (Hall, 2016; Gel, Landes & Katz). Performance considerations arising from the team-oriented nature of agile development (Poppendieck & Poppendieck, 2006) were also not discussed, although practitioner literature is emerging in this field (Rejab, Omar, Ahma & Hassan, 2018).

Limitations and further research

As participants were both U.K. based, findings may not reflect diverse global viewpoints. To address this limitation, further interviews should be conducted with HR members globally, as well as input from functional leaders (Stahl et al., 2014).

Conclusion and Recommendations

Significant challenges impair the current appraisal process, but HR have encompassed much modern best practice in their vision for GTM (Stahl et al., 2014). Specific recommendations for agile organisations may give further benefit (Rejab et al., 2018) and may facilitate needed buy-in and broad ownership from management (Stahl et al., 2014).

[Word count: 1,099]

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