

Employee Evaluation and Motivation: A Comparison of Practices in Bangladeshi and Multinational Companies

ABSTRACT

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This research seeks to compare the Employee Evaluation and Motivation Practices between Bangladeshi and Multinational Companies (MNCs) operating in Bangladesh. Thirty companies, 15 Bangladeshi and 15 MNCs from five different sectors were studied through in-depth discussion with HR Directors/Managers of respective organizations. Major findings indicate that Bangladeshi companies are lagging behind the multinationals in exercising standard employee evaluation and motivational practices. In general, Bangladeshi companies tend to follow a minimum standard rule while MNCs, in line with their organizational tradition and organizational cultural excellence, follow a more employee oriented process which in the long run motivates employees for increased productivity resulting in ever-increasing profitability and sustainability of MNCs.

1.0 Background

The history of performance appraisal is quite brief. Its roots can be traced to Taylor's pioneering Time and Motion studies in the early 20th century. But this is not very helpful, for the same may be said about almost everything in the field of modern human resource management.

As a distinct and formal management procedure used in the evaluation of work performance, appraisal really dates back from the time of the Second World War - not more than 60 years. Yet in a broader sense, the practice of appraisal is a very ancient art.

There is, says Dulewicz (1989)¹, "a basic human tendency to make judgments about those ones he/she is working with, as well as about oneself." Appraisal, it seems, is both inevitable and universal. In the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others, including subordinates, naturally informally and arbitrarily.

The human inclination to judge can create serious motivational, ethical and legal problems in the workplace. Without a structured appraisal system, there is little chance of ensuring that the judgments made will be lawful, fair, defensible and accurate.

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Performance appraisal systems began as simple methods of income justification. That is, appraisal was used to decide whether or not the salary or wage of an individual employee was justified.

The process was firmly linked to material outcomes. If an employee's performance was found to be less than ideal, a cut in pay would follow. On the other hand, if their performance was better than the supervisor expected, a pay rise was in order.

Little consideration, if any, was given to the developmental possibilities of appraisal. It was felt that a cut in pay, or a rise, should provide the only required impetus for an employee to either improve or continue to perform well. Sometimes this basic system succeeded in getting the results that were intended; but more often than not, it failed.

Few issues in management stir up more controversy than performance appraisal.

There are many reputable sources - researchers, management commentators, and psychometricians who have expressed doubts about the validity and reliability of the performance appraisal process. Some have even suggested that the process is so inherently flawed that it may not be possible to perfect it. (Derven, 1990).²

At the other extreme, there are many strong advocates of performance appraisal. Some view it as potentially "... the most crucial aspect of organizational life" (Lawrie, 1990).³

Between these two extremes lie various schools of belief. While all endorse the use of performance appraisal, there are many different opinions on how and when to apply it.

There are those, for instance, who believe that performance appraisal has many important employee development uses, but scorn any attempt to link the process to reward outcomes - such as pay rises and promotions. This group believe that the linkage to reward outcomes reduces or eliminates the developmental value of appraisals. Rather than an opportunity for constructive review and encouragement, the reward-linked process is perceived as judgmental.

Bannister and Balkin, (1990)⁴ have reported that appraisees seem to have greater acceptance of the appraisal process, and feel more satisfied with it, when the process is directly linked to rewards. Such findings are a serious challenge to those who feel that appraisal results and reward outcomes must be strictly isolated from each other. There is also a group who argue that the evaluation of employees for reward purposes, and frank communication with them about their performance, are part of the basic responsibilities of management. The practice of not discussing reward issues while appraising performance is, say critics, based on inconsistent and muddled ideas of motivation.

In many organizations, this inconsistency is aggravated by the practice of having separate wage and salary reviews, in which case merit rises and bonuses are decided arbitrarily, and often secretly, by supervisors and managers.

Kuvaas, Bard⁵ conducted a cross-sectional survey of 593 employees from 64 Norwegian savings banks showed that performance appraisal and satisfaction was directly related to effective commitment and turnover intention. The relationship between performance appraisal satisfaction and work performance, however, was both mediated and moderated by employees' intrinsic work motivation. The form of the moderation revealed a negative relationship for employees with low intrinsic motivation and a positive relationship for those with high intrinsic motivation. Implications for practice and directions for future research are discussed.

Nesbit and Paul L. Robet E. Woods⁶ in their article discussed the problem of subjectivity in performance evaluations and the impact this has on staff motivation. The article outlines a study on the impact of feedback assessment training of supervisors in a technology based organization who received frame-of-reference training. This training is designed to give supervisors a common understanding of the performance behavior associated with different standards of rating criteria used to assess those they supervise.

Using a contingency model of the effectiveness of performance appraisal interviews as a framework, Orpen⁷ examines the extent to which employee job performance and employee relations with their superior moderate the impact of goal setting in the interviews on the important outcomes: employees' reactions to the interview and their degree of work motivation among 135 non-managerial employees in a medium-sized manufacturing company. Hierarchical regression analysis indicated that the impact of goal setting was stronger among poor performers than among good performers, and among employees who had good relations with their superiors than among those whose relations were relatively poor. The study advances reasons for these and suggests implications for improving appraisals.

James R. Lindner⁸ in the article "Understanding Employee Motivation" describes the importance of certain factors in motivating employees at the Piketon Research and Extension Center, Ohio, U.S.A. Specifically, the study sought to describe the ranked importance of several motivational factors. Motivated employees are needed in our rapidly changing workplaces. Motivated employees help organizations survive. Motivated employees are more productive. Of all the functions a manager performs, motivating employees is arguably the most complex. This is due to the fact that what motivates employees changes over the time. In the study it was found that the ranked order of motivating factors were interesting work, good wages,

full appreciation of work done, job security, good working conditions, promotions and growth in the organization, feeling of being in on things, personal loyalty to employees, tactful discipline and sympathetic help with personal problems.

According to the journal, employees were previously considered just another input into the production of goods and services. What perhaps changed this way of thinking about employees was the Hawthorne Studies, conducted by Elton Mayo from 1924 to 1932. Understanding what motivated employees and how they were motivated was the focus of many researchers following the publication of the Hawthorne Study results. Two of the major approaches that have led to our understanding of motivation are Maslow's need-hierarchy theory and Herzberg's two-factor theory.

A comparison of the results of the study to Maslow's need-hierarchy theory provides some interesting insight into employee motivation. The number one ranked motivator, interesting work, is a self-actualizing factor. The number two ranked motivator, good wages, is a physiological factor. The number three ranked motivator, full appreciation of work done, is an esteem factor. The number four ranked motivator, job security, is a safety factor. Contrary to what Maslow's theory suggests, the range of motivational factors is mixed in this study. Maslow's conclusions that lower level motivational factors must be adequately met before ascending to the next level were not confirmed by this study.

The second example compares the two highest motivational factors to Herzberg's two-factor theory. The highest ranked motivator, interesting work, is a motivator factor. The second ranked motivator, good wages is a hygiene factor. Herzberg stated that to the degree that motivators are present in a job, motivation will occur. The absence of motivators does not lead to dissatisfaction. Further, he stated that to the degree that hygiene is absent from a job, dissatisfaction will occur. When present, hygiene prevents dissatisfaction, but does not lead to satisfaction. In this case, the lack of interesting work (motivator) for the centers' employees would not lead to dissatisfaction.

The ranked importance of motivational factors of employees at the Piketon Research Center provides useful information for the centers' director and employees. Knowing how to use this information in motivating centers' employees is complex. The strategy for motivating centers' employees depends on which motivation theories are used as a reference point. Regardless of which theory is followed, interesting work and employee pay appear to be important links to higher motivation of centers' employees. Options such as job enlargement, job enrichment, promotions, monetary and non-monetary compensation should be considered. Job enlargement can be used to make work more interesting by increasing the number and variety of activities performed.

Job enrichment can be used to make work more interesting and increase pay by adding higher level responsibilities to a job and providing monetary compensation (raise or stipend) to employees for accepting this responsibility. These are just two examples of an infinite number of methods to increase motivation of employees at the centers.

It can be inferred from the above study that the key to motivating employees is to know what motivates them and then designing a motivation program based on those needs.

It is a common observation that multinational companies greatly attract bright and efficient people for employment in comparison to Bangladeshi national companies. As motivation and appraisal are keys to employee attraction and retention, it may be hypothesized that multinational companies' practice in these two areas are significantly better. The overall objective of this study was to compare the employee evaluation and motivational practices among Bangladeshi and Multinational companies and their implications.

2.0 METHODOLOGY

The study covers the performance appraisal systems in local and multinational companies of different sectors in Bangladesh. It also focuses on the motivational practices in organizations across different sectors. Primary source of information consists of interview with the Director/Manager of Human Resource department of the organization based on structured questionnaire. Secondary sources were literature survey including studying of company documents, annual reports, etc.

Thirty different organizations, three Bangladeshi and three MNCs in each of the five major industrial and service sectors like textiles-footwear, pharmaceutical-toiletries, telecommunication, construction materials and banking sectors were selected for the study. Companies were chosen across different industries in order to make it more representative. The Foreign investors' Chamber of Commerce & Industry (FICCI), the association of MNCs operating in Bangladesh, have 158 members. Out of this, 15 organizations (10%), i.e. three companies from each of the above-mentioned five sectors were selected, based on convenient and judgmental sampling. Correspondingly, fifteen different Bangladeshi organizations in those five industries were selected for the study. Only those organizations having more than 300 regular employees and having a full fledged HR department were considered for the study.

The research was conducted in three stages. At first, relevant secondary information were gathered by reviewing the books and journals. In the second stage, in-depth interviews were conducted with the manager or head of Human Resource departments of the respective organizations. Finally, combining the accumulated knowledge,

a thorough analysis of their performance appraisal and employee motivation systems have been done. The concluding remark includes the option to improve the human resource situation in Bangladeshi companies.

3.0 FINDINGS ON EVALUATION PRACTICES

Significant differences were observed in employee evaluation practices among two different groups of companies. Various aspects of employee appraisal procedure and appraisers are discussed in this section.

3.1. Appraisers and Intervals

Responses obtained (Table 1) from organizations show that people generally involved or responsible for the job appraisal process are mostly the immediate supervisors, department or line managers, and high ranking officials. However a significant number of MNCs (26.7%) conduct 360-degree appraisals as against only 6.7% Bangladeshi companies do so.

Table 3.1 Employee Appraisers of the Company

	Category		Total
	Bangladeshi	MNC	
Immediate supervisors only	9 (60%)	8 (53.3%)	17 (56.7%)
Departmental Manager, Supervisor, HR department	4 (26.6%)	1 (6.7%)	5 (16.7%)
Inclusion of feed back from Subordinates and Peers	1 (6.7%)	2 (13.3%)	3 (10%)
360-degree appraisal (Supervisor, peer, employee, customers etc. give the input)	1 (6.7%)	4 (26.7%)	5 (16.6%)
Total	15	15	30

It was found that both Bangladeshi companies and MNCs preferably conduct annual performance appraisal (Table 2). Among the respondents, local companies have a higher tendency (80%) to conduct annual performance appraisal whereas 80% multinational companies tend to conduct the same on shorter intervals like half-yearly or quarterly basis, although a few (20%) national companies have also claimed to conduct half yearly or quarterly performance appraisal.

Table 3.2: Performance Appraisal Intervals

	Category		Total
	Bangladeshi	MNC	
Yearly	12 (80%)	8 (53.3%)	20 (66.7%)
Half-yearly	2 (13.3%)	4 (26.7%)	6 (20%)
Quarterly	1 (6.7%)	3 (20%)	4 (13.3%)
Total	15	15	30

3.2 Use of Standard Design or Format

Appraisal based on standard format or design seems to be a common practice among most of the multinational organizations in Bangladesh (Table 3.3). A significant number of national companies (33.3%) have no standard format for appraisal. All MNCs use standard formats, the most common (66.67%) being *Achieved Outcomes Standard* based on MBO (Management by Objective), essentially a system of participatively set objectives.

Table 3.3 Performance Appraisal Standards

	Category		Total
	Bangladeshi	MNC	
No standard Format	5 (33.3%)	0	5 (16.7%)
Absolute Standard	5 (33.3%)	2 (13.3%)	7 (23.3%)
Relative standard	2 (13.4%)	3 (20%)	5 (16.7%)
Achieved Outcomes Standard (MBO - Management by Objective)	3 (20%)	10 (66.7%)	13 (43.3%)
Total	15	15	30

3.3 Performance Appraisal Discussion

Significantly, 86.7% of multinational organizations claimed that they discuss performance appraisal results with their employees while only 20% of Bangladeshi companies do so (Table 3.4).

Table 3.4 Performance Appraisal Discussion

	Category		Total
	Bangladeshi	MNC	
Performance appraisals are made with little or no discussion with the employee	12 (80%)	2 (13.3%)	14 (46.6%)
Performance results are elaborately discussed with the employee	3 (20%)	13 (86.7%)	16 (53.3%)
Total	15	15	30

3.4 Distortion in the Appraisal Process

Most local organizations (46.7%) have admitted *Central Tendency*, the tendency of a rater to give average rating as the possible source of distortion in the appraisal process followed by irrelevant criteria (33.3%) whereas most multinational organizations (66.7%) pointed that *Projection error* (evaluating employees based on the way an evaluator perceives himself or herself) as the source of main distortion in their appraisal. This is because of high expectation of managers about performance of the subordinates (Table 3.5).

Table 3.5 Perceived Causes of Distortions in the Appraisal Process

	Category		Total
	Bangladeshi	MNC	
Halo error	2 (13.3%)	1 (6.7%)	3 (10%)
Projection error	1 (6.7%)	10 (66.6%)	11 (36.7%)
Central tendency	7 (46.7%)	3 (20%)	10 (33.3%)
Irrelevant criteria(Inappropriate substitution for performance)	5 (33.3%)	1 (6.7%)	6 (20%)
Total	15	15	30

4.0 FINDINGS ON EMPLOYEE MOTIVATION PRACTICES

This section covers various aspects of employee motivational activities practiced by organizations like training method for motivating employees towards higher performance, rewards and compensation, benefits, etc. As expected, significant differences were observed in different motivational approaches.

4.1 Training Methods

In respect of training methods, local companies and MNCs have different trends (Table 4.1). MNCs, generally (66.7%) combine all training methods to improve skill and performance. The local companies usually depend more on classroom lectures (46.7%).

Table 4.1 Training Methods

	Category		Total
	Bangladeshi	MNC	
Indoor lecture	7 (46.7%)	1 (6.7%)	8 (26.7%)
Simulation exercise	0	2 (13.3%)	2 (6.7%)
Job Rotation	5 (33.3%)	2 (13.3%)	7 (23.3%)
All methods combined	3 (20%)	10 (66.7%)	13 (43.3%)
Total	15	15	30

4.2 Employee Rewards/Compensations

While salary increase is most common reward (66.7%) for Bangladeshi companies, 33.3% MNCs like to reward their employees with performance bonus (Table 4.2).

Table 4.2 Most Important Employee Rewards/Compensations

	Category		Total
	Bangladeshi	MNC	
Salary Increase	10 (66.6%)	3 (20%)	13 (43.3%)
Performance bonus	1 (6.7%)	5 (33.4%)	6 (20%)
Promotion	1 (6.7%)	2 (13.3%)	3 (10%)
Sales Commission	2 (13.3%)	3 (10%)	5 (16.7%)
More responsibilities	1 (6.7%)	2 (13.3%)	3 (10%)
Total	15	15	30

4.3 Retirement Benefits

Both local and multinational companies are found to provide provident fund and/or gratuity facilities (Table 8). However, 66.7% MNCs provide both of the benefits, as against only 13.3% Bangladeshi companies providing so. The main difference is found in the fact that 53.3% of Bangladeshi companies provide neither gratuity nor pension benefits, whereas all MNCs are providing either or both the benefits.

Table 4.3 Retirement Benefits

	Category		Total
	Bangladeshi	MNC	
Pension	3 (10%)	3 (10%)	6 (20%)
Gratuity	2 (13.3%)	2 (13.3%)	4 (13.3%)
Both pension and gratuity	2 (13.3%)	10 (66.7%)	12 (40%)
None	8 (53.4%)	0	8 (26.7%)
Total	15	15	30

Only multinational companies are found to provide profit sharing plans along with provident fund and gratuity facilities as the retirement benefit.

4.4 Types of Paid Leaves

Casual Leave: In case of casual leaves, national companies are found to provide less leaves than the MNCs. Ten days' casual leave is most common for 66.7% Bangladeshi companies as against 14 days' casual leave for 46.7% MNCs (Table 4.4).

Table 4.4 Casual Leaves Provided to Employees

Days	Category		Total
	Bangladeshi	MNC	
Up to 10	10 (66.7%)	5 (33.3%)	15 (50%)
11- 14	4 (26.6%)	7 (46.7%)	11 (36.7%)
15-18	1 (6.7%)	2 (13.3%)	3 (10%)
19-20	0	1 (6.7%)	1 (3.3%)
Total	15	15	30

Sick Leaves: Eighty percent of multinational companies allow 14 days' sick leave as against 66.7% Bangladeshi companies allowing 12 days' sick leave (Table 4.5).

Table 4.5 Sick Leaves

Days	Category		Total
	Bangladeshi	MNC	
12	10 (66.7%)	2 (13.3%)	12 (40%)
14	4 (26.6%)	12 (80%)	16 (53.3%)
21	1 (6.7%)	1 (6.7%)	2 (6.7%)
Total	15	15	30

Earned Leave: A significantly large number of MNCs (80%) provide one day leave for every 18 days' of work as against 53.3% Bangladeshi companies doing so (Table 4.6).

Table 4.6 Earned Leaves

No. of working days for every 1 day leave	Category		Total
	Bangladeshi	MNC	
18 days	8 (53.4%)	12 (80%)	20 (66.7%)
21 days	5 (33.3%)	2 (13.3%)	7 (23.3%)
1 month	2 (13.3%)	1 (6.7%)	3 (10%)
Total	15	15	30

All MNCs were found to allow easy encashment of earned leave as against local companies' reluctance to do so or at least delaying the process.

5.0 CONCLUSION

Thirty different organizations, three Bangladeshi and three MNCs in each of the five sectors like textiles-shoes, pharmaceutical-toiletries, telecommunication, construction materials and banking sectors were selected for the study. The research analysis shows that Bangladeshi companies are lagging far behind the Multinational companies in exercising standard employee evaluation and motivational practices. The research concentrated on the employee appraisal system in respect of the appraiser, appraisal standards and methods, distortion type, and frequency of appraisal. It also studied the employee motivation system including training for employee development, reward programs, retirement benefits, and paid leaves.

In general, Bangladeshi companies tend to follow a minimum standard rule for employee evaluation and motivation while MNCs, in line with their organizational tradition and organizational cultural excellence, follow a more employee oriented process which in the long run increases productivity and results in ever-increasing profits. So, in spite of lack of financial and other resources, Bangladeshi companies should think seriously about improving employee evaluation system and introducing motivational programs. Without a motivated workforce, Bangladeshi organizations have little chance to survive the intense competition arising from the multinational companies. In the event of resource constraints, the only plausible strategy would be to develop the human resources available to Bangladeshi national organizations. After all, the people alone can make the difference.

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