



## INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

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## CORRELATES OF EMPLOYEE SATISFACTION WITH PERFORMANCE APPRAISAL SYSTEM: A COMPARATIVE STUDY OF INDIAN AND FOREIGN MNC BPO FIRMS

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### ABSTRACT

*This paper is based on an empirical study of five Indian and five foreign MNC BPO firms operating in India, ranked among the top 100 by the International Association of Outsourcing Professionals (IAOP) for the year 2009. The data was collected using both qualitative and quantitative methods from 243 employees of Indian MNCs and 163 employees of foreign MNCs who constitute 1 per cent of the population under study. The study finds that, on an average, the level of satisfaction among the respondents towards the performance appraisal system is at 73.09 per cent and 69.94 per cent for Indian MNCs and foreign MNCs respectively. Regression analysis, using a significance level of 5 per cent, shows that the variables of transparency in the appraisal system ( $p = .000$ ), employee participation in appraisal system ( $p = .028$ ), the accuracy of the previous appraisals ( $p = .031$ ) and viewing appraisals as a motivating tool ( $p = .004$ ) are significantly influencing the satisfaction of the respondents of Indian MNCs and the variables of the objectivity in the appraisals ( $p = .028$ ), the accuracy of the previous appraisals ( $p = .017$ ) and viewing appraisals as a motivating tool ( $p = .002$ ) are significantly influencing the satisfaction of the respondents of foreign MNCs, and all the other variables have emerged as insignificant. Interestingly, all the significant variables are positively associated with the satisfaction and all the variables used in the study collectively account for 59.4 per cent and 42.6 per cent of the satisfaction of the respondents of Indian MNCs and foreign MNCs respectively towards the performance appraisal system. The factor analysis, being performed under the Principal Component Analysis Method, has identified three factors contributing a cumulative variation of 67.794 per cent in the case of Indian MNCs, and it has identified four factors contributing a cumulative variation of 67.925 per cent in the case of foreign MNCs.*

### KEY WORDS

BPO, Employee Satisfaction, Factor Analysis, Performance Appraisal System.

### INTRODUCTION

Performance appraisal is among the most important human resource (HR) practices and it is one of the more heavily researched topics (Fletcher, 2002). Performance appraisal may now be seen as a generic term, covering a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards (Fletcher, 2001). That is why, today, the focus of both practice and research has been moving towards developmental performance appraisal (Levy and Williams, 2004). According to Fletcher (2001), the performance appraisal must be viewed as a mechanism for developing and motivating people. There is a general consensus among performance appraisal researchers and practitioners that assessment of appraisal reactions is important (Keeping and Levy, 2000). For instance, it is frequently argued that in order for performance appraisal to positively influence employee behaviour and future development, employees must experience positive appraisal reactions; if not, any appraisal system will be doomed to failure (Murphy and Cleveland, 1995). The satisfaction with performance appraisal is the most frequently measured appraisal reaction (Keeping and Levy, 2000) and studies have reported that there is a positive relationship between satisfaction with performance appraisal and overall job satisfaction (Ellickson, 2002), since job satisfaction is positively related to performance (Judge et al., 2001). There is an extensive research on the factors that influence the satisfaction of the employees towards the performance appraisal or other reactions in different contexts (Levy and Williams, 2004). However, there is a lack of enough empirical evidence on the factors that influence the satisfaction of the BPO employees towards the performance appraisal system. In this context, the present empirical study makes an attempt to study, compare and analyze the perceptions of the employees of Indian and foreign MNC BPO firms with regard to the performance appraisal system with a view to understand whether there is actually any kind of dissatisfaction among the BPO employees towards the performance appraisal system and also to assess, compare, analyze and group the factors which significantly influence the satisfaction of these employees towards the performance appraisal system.

### OBJECTIVES OF THE STUDY

This empirical and comparative study of the perceptions of the employees of Indian and foreign MNC BPO firms about the performance appraisal system have the following objectives:

1. To study, compare and analyze the perceptions of the employees with regard to the performance appraisal system being practiced by the Indian and foreign MNC BPO firms.
2. To assess, compare and analyze the factors influencing the satisfaction of the employees of the Indian and foreign MNC BPO firms towards the performance appraisal system.

3. To identify and group the most important factors responsible for the satisfaction of the employees of the Indian and foreign MNC BPO firms towards the performance appraisal system.

### THE RESEARCH HYPOTHESIS

The following research hypothesis has been formulated by the researchers:

"The various factors associated with the assessment of performance appraisal have significant relation with the satisfaction of the respondents towards the performance appraisal system".

### REVIEW OF THE LITERATURE

There have been a large number of studies, both conceptual and empirical, in the area of performance appraisal practices in India (Rao & Abraham, 1986; Mendonca & Kanungo, 1990; Jain, 1991; Venkataratnam, 1992; Amba-Rao, 1994; Sodhi, 1994; Lawler, et al., 1995; Mathur, et al., 1996; Diwedi, 1997; Gopinath, 1998; Smither, 1998; Venkataratnam, 1998; Bordia & Blau, 1998; Amba-Rao et al., 2000; Budhwar & Khatri, 2001; Budhwar & Debrah, 2001; Bahl, 2002; Budhwar & Boyne, 2004; Verma et al., 2005; Rao, 2007). However, a majority of these studies are on the performance appraisal practices in India with reference to the traditional Indian industrial sectors. These studies include a large number of case studies and there are only a few empirical studies in the area of performance appraisal practices with reference to the Indian ITES-BPO industry. These empirical studies are broad in nature and are not exactly confined to the area of performance appraisal practices in Indian ITES-BPO industry. However, the researchers do report that all the BPOs in India have a formal and structured approach to the performance appraisal system and they have a structured format and a clear set of parameters for appraisals (Budhwar et al., 2006). In fact, in the BPO processes, there are two basic types of performance parameters – quantitative measures (such as Average Handling Time - AHT, number of calls completed) and quality measures. Although the trainers describe the performance appraisal system as very 'system-driven', leaving no scope for subjectivity in ratings, clearly the judgments made by the evaluators in the ITES-BPO industry cannot be completely 'objective' (Upadhya and Vasavi, 2006). De (2004), based on a sample survey of BPO employees (n=462), reported that more than 61% of the respondents under his study felt that the appraisal system in BPOs was transparent, and slightly fewer than 55% felt that it was fair and more than 63% approved of the fact that their special initiatives and efforts were duly recognized at the time of appraisal. Rani and Mahalingam (2003), based on a sample survey of BPO employees (n=544) across the country, reported that the performance in the BPO industry has almost entirely become a metrics - driven one. Metrics and the pressure to deliver them have emerged as significant causes of stress in the BPO industry today. By the very fact that the metrics are automatically generated and cannot be argued with - there was comparatively less angst on the appraisal system in the BPO industry than in the IT industry. As per their study, the overall satisfaction score for the ITES employees was at 8.3 (or 83.0 per cent) on a scale of 10. Babu (2004) observes that the performance of the BPO employees is linked with incentives in cash and kind; and the annual increments in salary as well as the vertical mobility of the agents in the BPO firms are also linked to their ratings. Linking performance with incentives and/or punitive actions forces the agents to stress continuously. According to Shivani (2006), the performance appraisal in BPOs means a hurried 5-minute session for the HR manager who, many a time, is very badly prepared for the session and sometimes the employees get to meet their managers and interact with them only during this time. The number of ratings to be given under various categories is fixed, following a bell-curve distribution and the ratings depend on 'quota'! Awards are mostly given as ad hoc measures to temporarily satisfy the employees, and most often do not influence the final ratings, which are also often ad hoc! What further complicates affairs is that the ratings also determine whether the person will be eligible for a promotion in the next 12 months. According to her, such practices demotivate the employees. Ramakrishna (2002), senior human resources executive, suggests that clearly enunciating the performance management system is very critical for an employee to know what is expected of him and what the performance parameters are. Bhaduri (2008) opines that if one wants to manage attrition, one should start by looking at the performance management system of the organization. In his opinion, every manager should be adequately trained to give candid feedback and also to coach the players in his team. These studies indicate that all is not well with the appraisal system of the Indian BPO industry. In this context, an attempt has been made to study, compare, analyze and group the factors influencing the satisfaction of the employees with the performance appraisal system being practiced by the Indian and foreign MNC BPO firms operating in India.

### RESEARCH METHODOLOGY

The study mainly depended upon the primary data. However, some secondary sources of data were also consulted for the purpose of gathering background information supporting the study. Relevant primary data was collected through a sample survey using a well-structured and pre-tested questionnaire. The draft questionnaire was e-mailed to 25 employees of the sample ITES-BPO firms to pre-test the questionnaire and the suggestions received from them were critically examined and were duly incorporated in the final questionnaire wherever found proper. The data was collected from a total of ten MNC BPO firms - five Indian and five foreign - which were selected on the basis of the ranking announced by the International Association of Outsourcing Professionals (IAOPs) for the year 2009 as "The 2009 Global Outsourcing 100". The study covered the units of these MNCs located in Bangalore, considered to be the Silicon Valley of India.<sup>1</sup> Access to these BPO firms was secured through contacts and through networking techniques. Altogether, data was collected from a total of 406 employees - 243 employees of Indian MNCs and 163 employees of foreign MNCs - and these employees constitute 1 per cent of the employee population of the respective MNCs under study. The awareness about the performance appraisal system is measured on a scale of 'yes/no/can't say' and the perceptions of the respondents on the twelve statements, qualifying as the variables being derived from a review of literature in the area of study, are measured on Likert's (1932) five point scale of 'strongly disagree..... strongly agree', the scale in quantitative terms being: 0 - 20 per cent: strongly disagree, 21 - 40 per cent: disagree, 41 - 60 per cent: not sure, 61 - 80 per cent: agree, 81 - 100 per cent: strongly agree and the satisfaction of

<sup>1</sup> The Silicon Valley of India is a nickname of the Indian city of Bangalore. The name signifies Bangalore's status as a hub for information technology (IT) companies in India and is a comparative reference to the original Silicon Valley, based around Santa Clara Valley, California, a major hub for IT companies in the US. One of earliest mentions of this sobriquet occurred in late 1980s in the Indian Express (The Indian Express, 1988). The more prevalent application of the nickname Bangalore began in the 1990s (Heitzman, 2001) based on a concentration of firms specializing in R&D, electronics and software production, and today Bangalore has certainly emerged as a software and R&D subcontracting centre for multinationals. An article entitled "Is the Next Silicon Valley Taking Root in Bangalore?" appeared in the New York Times in 2006 (Rai, 2006). Incidentally, Bangalore contributed 33% of India's Rs. 144,214 crore (US\$ 31 billion) IT exports in 2006-07 (Ramesh, 2007). Indeed, some articles in the western media wondered if the original Silicon Valley would one day be functionally replaced by Bangalore (Morphy, 2004).

the respondents towards the performance appraisal system is rated again on Likert's (1932) five point scale of 'highly dissatisfied..... highly satisfied', the scale in quantitative terms being: 0 - 20 per cent: highly dissatisfied, 21 - 40 per cent: dissatisfied, 41 - 60 per cent: not sure, 61 - 80 per cent: satisfied, 81 - 100 per cent: highly satisfied. A multiple regression analysis has been done to identify the variables influencing the satisfaction of the respondents towards the performance appraisal system and the results are presented here. The results of the factor analysis, being performed under the Principal Component Analysis Method to identify and group the most important factors responsible for the satisfaction of the respondents towards the performance appraisal system, have been presented in this paper. Finally, the paper concludes with the researchers' contributions to the literature and the scope for further research in this area.

**RESULTS AND DISCUSSION**

**EMPLOYEE PERCEPTIONS OF THE PERFORMANCE APPRAISAL SYSTEM**

The perceptions of the respondents with regard to the performance appraisal system are presented here. An overwhelming majority of 86.8 per cent of the respondents of Indian MNCs and 87.1 per cent of the respondents of foreign MNCs under our study report that they are aware of the performance appraisal system in their respective firms (Table 1). The calculated value of  $\chi^2$  ( $p = .933 > .05$ ) shows that there is no significant difference among the respondents of the two types of MNCs in terms of their awareness about the performance appraisal system. Thus, a majority of the respondents of both the types of MNCs are aware of the performance appraisal system.

**Table 1: Awareness of the Performance Appraisal System among the Respondents**

Are the respondents aware of the performance appraisal system?	Yes %	No %	Total %
Indian MNCs	86.8	13.2	100
Foreign MNCs	87.1	12.9	100

$\chi^2 (1) = .007, p = 0.933, NS$   
Source: Survey Data

The views of the respondents on the twelve statements being used to study their agreement towards those statements are presented in Table 2. The levels of agreement being expressed in percentages and the 'p' values are given within brackets.

**Table 2: Employee Perceptions of the Performance Appraisal System**

Variables		1 %	2 %	3 %	4 %	5 %	Mean	S.D.	% Mean	't' value	'p' value
My Duties are clearly given out	Indian	1.2	2.1	14.0	53.5	29.2	4.07	.789	81.48	.866	.387 NS
	Foreign	2.5	4.3	14.7	47.9	30.7	4.01	.923	80.20		
I know what is expected of me in the job	Indian	0	2.9	6.6	57.2	33.3	4.21	.687	84.20	.210	.834 NS
	Foreign	1.2	7.4	7.4	35.6	48.5	4.23	.958	84.54		
Appraisal system is transparent	Indian	5.8	8.6	18.9	44.4	22.2	3.69	1.088	73.74	.001	.999 NS
	Foreign	3.1	6.1	27.6	45.4	17.8	3.69	.940	73.74		
Appraisal system is timely	Indian	1.6	7.8	7.0	57.6	25.9	3.98	.891	79.67	.379	.705 NS
	Foreign	1.8	5.5	14.7	44.8	33.1	3.95	.933	79.02		
Appraisal system is participative	Indian	4.1	7.8	10.3	53.9	23.9	3.86	1.004	77.12	.921	.358 NS
	Foreign	6.1	4.9	17.8	49.1	22.1	3.76	1.047	75.21		
Appraisal system is objective	Indian	2.5	11.1	12.8	55.6	18.1	3.76	.959	75.14	.768	.443 NS
	Foreign	2.5	11.7	22.1	42.9	20.9	3.68	1.010	73.62		
Good measures/parameters of individual or group performance exist	Indian	1.2	6.2	16.9	51.9	23.9	3.91	.872	78.19	.474	.636 NS
	Foreign	1.2	2.5	23.9	44.8	27.6	3.95	.852	79.02		
Special initiatives are recognized at the time of appraisal	Indian	3.7	8.6	22.2	43.2	22.2	3.72	1.023	74.32	.550	.582 NS
	Foreign	3.1	9.2	19.6	43.6	24.5	3.77	1.020	75.46		



Last performance appraisal accurately reflected my performance	Indian	4.5	11.9	20.2	46.5	16.9	3.59	1.046	71.85	.536	.592 NS
	Foreign	6.1	13.5	21.5	38.7	20.2	3.53	1.140	70.67		
The appraisal system is often invalid, unfair, discriminatory, and based on favoritism	Indian	14.0	18.9	21.0	37.4	8.6	3.08	1.212	61.56	2.125	.034 SIG
	Foreign	22.7	18.4	22.7	27.6	8.6	2.81	1.298	56.20		
Appraisal policies go in tandem with promotion, reward and transfer policies	Indian	1.6	15.2	31.7	33.7	17.7	3.51	1.006	70.12	.206	.837 NS
	Foreign	3.7	16.6	24.5	38.0	17.2	3.48	1.074	69.69		
Appraisals are mostly seen as a motivating tool	Indian	.8	11.5	17.7	43.6	26.3	3.83	.975	76.63	.754	.451 NS
	Foreign	1.2	12.3	15.3	36.8	34.4	3.91	1.047	78.16		

(Note: 1 - strongly disagree, 2 - disagree, 3 - Not sure, 4 -agree, 5 - strongly agree)

Source: Survey data

On our scale, the respondents of both the Indian and foreign MNCs 'strongly agree' on two of the statements:

- (a) The duties are clearly given out (Indian MNCs = 81.48 per cent; foreign MNCs = 80.20 per cent; 'p' = .387), and
- (b) I know what is expected of me in the job (Indian MNCs =84.20 per cent; foreign MNCs = 84.54 per cent; 'p' = .834).

The calculated values of 'p' > .05 clearly indicate that there is no significant difference among the respondents of the two types of MNCs with regard to their views on these statements.

The respondents of both the types of MNCs 'agree' on nine of the statements:

- (a) The performance appraisal system is transparent (Indian MNCs = 73.74 per cent; foreign MNCs = 73.74 per cent; 'p' = .999)
- (b) The appraisals are timely (Indian MNCs = 79.67 per cent; foreign MNCs = 79.02 per cent; 'p' = .705)
- (c) The performance appraisal system is participative (Indian MNCs = 77.12 per cent; foreign MNCs = 75.21 per cent; 'p' = .358)
- (d) The performance appraisal system is objective (Indian MNCs = 75.14 per cent; foreign MNCs = 73.62 per cent; 'p' = .443)
- (e) Good measures/parameters of individual or group performance exist (Indian MNCs = 78.19 per cent; foreign MNCs = 79.02 per cent; 'p' = .636)
- (f) Special initiatives and efforts are recognized at the time of appraisal (Indian MNCs = 74.32 per cent; foreign MNCs = 75.46 per cent; 'p' = .582)
- (g) My last performance appraisal accurately reflected my performance (Indian MNCs = 71.85 per cent; foreign MNCs = 70.67 per cent; 'p' = .592)
- (h) Appraisal policies go in tandem with promotion, reward and transfer policies (Indian MNCs = 70.12 per cent; foreign MNCs = 69.69 per cent; 'p' = .837), and
- (i) The appraisals are mostly seen as a motivating tool (Indian MNCs = 76.63 per cent; foreign MNCs = 78.16 per cent; 'p' = .451).

The calculated values of 'p' > .05 clearly indicates that there is no significant difference among the respondents of the two types of MNCs with regard to their views on these statements.

Interestingly, only on one of the statements, that is, the performance appraisal system is often invalid, unfair, discriminatory and is based on favouritism, the respondents of Indian MNCs 'agree' and the respondents of foreign MNCs report that they are 'not sure' on this issue (Indian MNCs = 61.56 per cent; foreign MNCs = 56.20 per cent; 'p' = .034). The calculated value of 'p' = .034 < .05 clearly confirms that there is a significant difference among the respondents of the two types of MNCs with regard to their views on this statement.

The present study supports the findings of De (2004) and Rani and Mahalingam (2003) on the perceptions of the BPO employees with regard to the performance appraisal system being adopted by their employers and it does not find any significant evidence to prove the findings of Shivani (2006).

### FACTORS INFLUENCING THE SATISFACTION TOWARDS THE PERFORMANCE APPRAISAL SYSTEM

A multiple regression analysis has been done to identify the variables influencing the satisfaction of the respondents towards the performance appraisal system. A significance level of 5 per cent has been used for our analysis (Table 3). The variables are identified on the basis of the twelve statements used in the study.

The results of the regression analysis show that, in the case of Indian MNCs, the following four variables are significantly influencing the satisfaction of the respondents towards the performance appraisal system:

- Transparency in the appraisal system (p = .000)
- Employee participation in appraisal system (p = .028)
- The accuracy of the previous appraisals (p = .031), and
- Viewing appraisals as a motivating tool (p = .004), and

Whereas in the case of foreign MNCs, the following three variables are significantly influencing the satisfaction of the respondents towards the performance appraisal system:

- The objectivity in the appraisals (p = .028)

The accuracy of the previous appraisals ( $p = .017$ ), and  
Viewing appraisals as a motivating tool ( $p = .002$ ).

In the case of Indian MNCs, the following eight variables have emerged as the insignificant variables:

My duties are clearly given out ( $p = .583$ )  
I know what is expected of me in the job ( $p = .333$ )  
Timeliness of the appraisals ( $p = .898$ )  
The objectivity in the appraisals ( $p = .492$ )  
Existence of good measures/parameters of individual or group performance ( $p = .235$ )  
Recognition of special initiatives and efforts at the time of appraisals ( $p = .086$ )  
The performance appraisal system is often invalid, unfair, discriminatory and is based on favoritism ( $p = .113$ ), and  
The appraisal systems go in tandem with promotion, reward and transfer policies ( $p = .187$ ),

Whereas in the case of foreign MNCs, the following nine variables have emerged as the insignificant variables:

My duties are clearly given out ( $p = .422$ )  
I know what is expected of me in the job ( $p = .248$ )  
Transparency in the appraisal system ( $p = .976$ )  
Timeliness of the appraisals ( $p = .110$ )  
Employee participation in appraisal system ( $p = .686$ ),  
Existence of good measures/parameters of individual or group performance ( $p = .354$ )  
Recognition of special initiatives and efforts at the time of appraisals ( $p = .069$ )  
The performance appraisal system is often invalid, unfair, discriminatory and is based on favoritism ( $p = .266$ ), and  
The appraisal systems go in tandem with promotion, reward and transfer policies ( $p = .550$ ).

In the case of Indian MNC, all the four significant variables are positively associated with the satisfaction of the respondents towards the performance appraisal system as follows:

Transparency in the appraisal system (Standardized Beta Coefficient = .358)  
Employee participation in appraisal system (Standardized Beta Coefficient = .137)  
The accuracy of the previous appraisals (Standardized Beta Coefficient = .136), and  
Viewing appraisals as a motivating tool (Standardized Beta Coefficient = .189).

Whereas in the case of foreign MNCs, all the three significant variables are positively associated with the satisfaction of the respondents towards the performance appraisal system as follows:

The objectivity in the appraisals (Standardized Beta Coefficient = .208)  
The accuracy of the previous appraisals (Standardized Beta Coefficient = .188), and  
Viewing appraisals as a motivating tool (Standardized Beta Coefficient = .237).

The contribution of all the four significant variables towards the satisfaction of the respondents with the performance appraisal system, in the case of Indian MNCs (in the descending order), is as follows:

Transparency in the appraisal system contributes 35.8 per cent (Standardized Beta Coefficient = .358)  
Viewing appraisals as a motivating tool contributes 18.9 per cent (Standardized Beta Coefficient = .189)  
Employee participation in appraisal system contributes 13.7 per cent (Standardized Beta Coefficient = .137), and  
The accuracy of the previous appraisals contributes 13.6 per cent (Standardized Beta Coefficient = .136), and

Whereas the contribution of all the three significant variables towards the satisfaction of the respondents with the performance appraisal system, in the case of foreign MNCs (in the descending order), is as follows:

Viewing appraisals as a motivating tool contributes 23.7 per cent (Standardized Beta Coefficient = .237)  
The objectivity in the appraisals contributes 20.8 per cent (Standardized Beta Coefficient = .208), and  
The accuracy of the previous appraisals contributes 18.8 per cent (Standardized Beta Coefficient = .188).



**Table 3: Factors Influencing the Satisfaction of the Employees towards the Performance Appraisal System**

MNC		Unstandardized Coefficients		Standardized Coefficients	t	p
		B	Std. Error	Beta		
Indian	(Constant)	.293			1.498	.135
	Duties are clearly given out		.066	.031	.549	.583
	I know what is expected of me in the job	.078	.080	.059	.969	.333
	Appraisal system is transparent	.300	.055	.358	5.494	.000
	Appraisal system is timely	.008	.064	.008	.128	.898
	Appraisal system is participative	.124	.056	.137	2.208	.028
	Appraisal system is objective	-.039	.056	-.041	-.688	.492
	Good measures/parameters of individual or group performance exist	-.072	.061	-.069	-1.191	.235
	Special initiatives and efforts are recognized at the time of appraisal	.097	.056	.109	1.722	.086
	Last performance appraisal accurately reflected my performance	.118	.055	.136	2.165	.031
	The performance appraisal system is often invalid unfair, discriminatory, and based on favouritism	-.058	.036	-.077	-1.592	.113
	Appraisal policies go in tandem with promotion, reward and transfer policies, etc.	.076	.057	.084	1.322	.187
	Appraisal are mostly seen as a motivating tool	.177	.060	.189	2.947	.004
Foreign	(Constant)	-.757	.520		-1.455	.148
	Duties are clearly given out	.094	.116	.076	.805	.422
	I know what is expected of me in the job	-.130	.112	-.109	-1.160	.248
	Appraisal system is transparent	.003	.101	.003	.030	.976
	Appraisal system is timely	.169	.105	.138	1.606	.110
	Appraisal system is participative	.040	.100	.037	.404	.686
	Appraisal system is objective	.235	.106	.208	2.224	.028
	Good measures/parameters of individual or group performance exist	.100	.108	.075	.930	.354
	Special initiatives and efforts are recognized at the time of appraisal	.168	.091	.150	1.833	.069
	Last performance appraisal accurately reflected my performance	.188	.078	.188	2.417	.017
	The performance appraisal system is often invalid unfair, discriminatory, and based on favouritism	.067	.060	.076	1.117	.266
	Appraisal policies go in tandem with promotion, reward and transfer policies, etc.	-.048	.081	-.045	-.598	.550
	Appraisal are mostly seen as a motivating tool	.258	.082	.237	3.150	.002

However, as per the Model 1, all the variables used in the study collectively account for 59.4 per cent (R Square = .594) and 42.6 per cent (R Square = .426) of the satisfaction of the respondents of Indian and foreign MNCs respectively towards the performance appraisal system.

**Model 1**

MNC	R	R Square	F	p
Indian	.771	.594	28.050	.000
Foreign	.653	.426	9.280	.000

**HYPOTHESIS TESTING**

A multiple regression analysis was used to test the hypothesis and the results are reported in Table 3. As discussed already in the previous paragraphs, the regression analysis shows that four factors in the case of Indian MNC and three factors in the case of foreign MNCs associated with the assessment of performance appraisals have significant and positive relationship with the satisfaction of the respondents towards the performance appraisal system and the remaining eight factors in the case of Indian MNC and nine factors in the case of foreign MNCs have no

significant relationship with the satisfaction of the respondents towards the performance appraisal system, and hence, the hypothesis being considered by the researchers is partially accepted and partially rejected.

**FACTORS INFLUENCING THE SATISFACTION TOWARDS THE PERFORMANCE APPRAISAL SYSTEM - A FACTOR ANALYSIS**

The researchers have used 'factor analysis' to identify and group the most important factors responsible for the satisfaction of the respondents towards the performance appraisal system.

**Table 4: KMO and Bartlett's Test (for Indian MNCs only)**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.866
Bartlett's Test of Sphericity	Approx. Chi-Square	1368.726
	df	66
	Sig.	.000

According to KMO and Bartlett's test, factor analysis can be performed for the given data of Indian MNCs as  $p = .000 < .01$  (Table 4). The factor analysis has been performed by using the Principal Component Analysis Method in order to identify the factors which discriminate each other and the results of the analysis are presented here:

In the case of Indian MNCs, the factor analysis has identified the following three factors (Table 5 and 6):

Factor 1: This factor consists of the following variables which contribute 44.518 per cent variation. The variables are:

- Transparency in the appraisals with factor loading of .790
- Timeliness of the appraisals with factor loading of .792
- Employee participation in the appraisals with factor loading of .816
- Objectivity in the appraisals with factor loading of .806
- Existence of the good measures/parameters of individual/group performance with factor loading of .502
- Accuracy of the previous appraisals with factor loading of .614
- Viewing appraisals as a motivating tool with factor loading of .558

The above are the most important factors which contribute the most to the overall level of satisfaction of the respondents towards the performance appraisal system being practiced by the Indian MNC BPO firms.

Factor 2: This factor consists of the following variables which contribute 11.999 per cent variation. The variables are:

- Duties are clearly given out with factor loading of .882
- I know what is expected of me in the job with factor loading of .856
- Recognition of special initiatives at the time of appraisal with factor loading of .505

Factor 3: This factor consists of the following variables which contribute 11.277 per cent variation. The variables are:

- The appraisal system is often invalid, unfair, discriminatory, and based on favoritism with factor loading of .830
- Appraisal policies go in tandem with promotion, reward and transfer policies with factor loading of .727

**Table 5: Total Variance Explained (for Indian MNCs only)**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.342	44.518	44.518	5.342	44.518	44.518	3.986	33.216	33.216
2	1.440	11.999	56.517	1.440	11.999	56.517	2.214	18.447	51.663
3	1.353	11.277	67.794	1.353	11.277	67.794	1.936	16.130	67.794
4	.703	5.855	73.648						
5	.601	5.006	78.655						
6	.533	4.439	83.094						
7	.421	3.512	86.606						
8	.406	3.385	89.991						
9	.353	2.946	92.937						
10	.314	2.618	95.555						
11	.300	2.499	98.053						
12	.234	1.947	100.000						

Extraction Method: Principal Component Analysis.

**Table 6: Rotated Component Matrix (for Indian MNCs only)**

	Component		
	1	2	3
Duties are clearly given out		.882	

I know what is expected of me in the job		.856	
Appraisal system is transparent	.790		
Appraisal system is timely	.792		
Appraisal system is participative	.816		
Appraisal system is objective	.806		
Good measures/parameters of individual or group performance exist	.502		
Special initiatives are recognized at the time of appraisal		.505	
Last performance appraisal accurately reflected my performance	.614		
The appraisal system is often invalid, unfair, discriminatory, and based on favoritism			.830
Appraisal policies go in tandem with promotion, reward and transfer policies			.727
Appraisals are mostly seen as a motivating tool	.558		

Notes:

1. Extraction Method: Principal Component Analysis
2. Rotation Method: Varimax with Kaiser Normalization
3. Rotation converged in 5 iterations

According to KMO and Bartlett’s test, factor analysis can be performed also for the given data of foreign MNCs as  $p = .000 < .01$  (Table 7). The factor analysis being performed by using the Principal Component Analysis Method in order to identify the factors which discriminate each other and the results of the analysis are presented here.

**Table 7: KMO and Bartlett’s Test (for foreign MNCs only)**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.773
Bartlett’s Test of Sphericity	Approx. Chi-Square	670.289
	df	66
	Sig	.000

**Table 8: Total Variance Explained (for foreign MNCs only)**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.174	34.786	34.786	4.174	34.786	34.786	3.096	25.797	25.797
2	1.535	12.788	47.575	1.535	12.788	47.575	1.848	15.400	41.197
3	1.435	11.961	59.536	1.435	11.961	59.536	1.810	15.082	56.279
4	1.007	8.389	67.925	1.007	8.389	67.925	1.398	11.646	67.925
5	.841	7.010	74.934						
6	.717	5.977	80.912						
7	.513	4.273	85.185						
8	.485	4.042	89.227						
9	.407	3.394	92.620						
10	.337	2.812	95.433						
11	.312	2.603	98.036						
12	.236	1.964	100.000						

Extraction Method: Principal Component Analysis.

**Table 9: Rotated Component Matrix (for foreign MNCs only)**

	Component			
	1	2	3	4
Duties are clearly given out			.889	
I know what is expected of me in the job			.874	
Appraisal system is transparent	.606			
Appraisal system is timely	.784			
Appraisal system is participative	.828			
Appraisal system is objective	.824			
Good measures/parameters of individual or group performance exist	.685			
Special initiatives are recognized at the time of appraisal				.663
Last performance appraisal accurately reflected my performance		.656		
The appraisal system is often invalid, unfair, discriminatory, and based on favoritism				

Appraisal policies go in tandem with promotion, reward and transfer policies Appraisals are mostly seen as a motivating tool				.782
		.628		
		.809		

## Notes:

1. Extraction Method: Principal Component Analysis
2. Rotation Method: Varimax with Kaiser Normalization
3. Rotation converged in 5 iterations

In the case of foreign MNCs, the factor analysis has identified the following four factors (Table 8 and 9):

Factor 1: This factor consists of the following variables which contribute 34.786 per cent variation. The variables are:

- Transparency in the appraisals with factor loading of .606
- Timeliness of the appraisals with factor loading of .784
- Employee participation in the appraisals with factor loading of .828
- Objectivity in the appraisals with factor loading of .824
- Existence of the good measures/parameters of individual/group performance with factor loading of .685

The above are the most important factors which contribute the most to the overall level of satisfaction of the respondents towards the performance appraisal system being practiced by the foreign MNC BPO firms operating in India.

Factor 2: This factor consists of the following variables which contribute 12.788 per cent variation. The variables are:

- Accuracy of the previous appraisals with factor loading of .656
- Appraisal policies go in tandem with promotion, reward and transfer policies with factor loading of .628
- Viewing appraisals as a motivating tool with factor loading of .809

Factor 3: This factor consists of the following variables which contribute 11.961 per cent variation. The variables are:

- Duties are clearly given out with factor loading of .889
- I know what is expected of me in the job with factor loading of .874

Factor 4: This factor consists of the following variables which contribute 8.389 per cent variation. The variables are:

- Recognition of special initiatives at the time of appraisal with factor loading of .663
- The appraisal system is often invalid, unfair, discriminatory, and based on favoritism with factor loading of .782

## CONCLUSION

The study has been successful in accomplishing its research objectives and it makes four contributions to the literature. First, the researchers have been able to present that an overwhelming majority of the employees (86.8 per cent in case of Indian MNCs and 87.1 per cent in case of foreign MNCs) are aware of the performance appraisal system of their respective employers. Second, the researchers have been able to present the perceptions of the BPO employees with regard to the performance appraisal system wherein the employees convey that they are not highly satisfied with the performance appraisal system being practiced by the BPOs under study; however, the overall levels of satisfaction at 73.09 per cent for Indian MNCs and 69.94 per cent for foreign MNCs are something not to be blindly ignored and thus, the respondents appear to be somewhat satisfied with the performance appraisal system of the BPOs under study. Third, the researchers have been able to analyze the variables influencing the satisfaction of the employees towards the performance appraisal system, wherein the researchers have been able to establish that out of the twelve variables being used in the assessment of the performance appraisal system, only four variables in case of Indian MNCs and three variables in case of foreign MNCs have emerged as the significant variables and all these significant variables are positively associated with the satisfaction of the respondents towards the performance appraisal system and the remaining eight variables in case of Indian MNCs and nine variables in case of foreign MNCs have emerged as the insignificant variables in the assessment of performance appraisal system. Fourth and the most important, the researchers have been able to identify and group the most important factors responsible for the satisfaction of the employees of the Indian and foreign MNC BPO firms towards the performance appraisal system; the factor analysis has identified three factors in the case of Indian MNCs contributing a cumulative variation of 67.794 per cent, and it has identified four factors in the case of foreign MNCs contributing a cumulative variation of 67.925 per cent.

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