

International performance management and appraisal management essay



**ASSIGN
BUSTER**

In global terms, performance management can be described as a process which allows an international company or multinational enterprise (MNE) to evaluate and constantly improve individual and corporate performance in relation to pre-set goals and targets. Furthermore, performance appraisals are considered to be a key human resource management (HRM) activity of performance management and can influence the implementation of business strategy within a company. According to Milliman et al. (2002, p. 106) the purpose of performance appraisals is to ' identify individual strengths and weaknesses, evaluate training needs, plan future development, and provide motivation through serving as a basis for reward and career feedback'. This has been further simplified by Harzing and Ruysseveldt (2004) who suggest that performance appraisals involve the two processes of observation and judgement through the evaluation and development of performance. Furthermore, international performance appraisal (IPA) can be regarded as a strategic process that helps the MNE to continuously improve global operations through their employees by matching up to certain pre-set objectives. However, we will find that while performance appraisals are important in terms of performance management, they can also often be viewed as problematic.

A ' global manager' can generally be considered as someone who has the capability and experience of working for a MNE in additional countries throughout the world. Therefore, in this context it could be said that expatriates are an example of global managers. An expatriate is regarded as an employee who is transferred out of their home country as a manager and into another area of the company's international operations in order to

perform an international assignment (Dowling et al. 2008, p. 4). In this essay, I will be discussing the key issues faced by a MNE regarding international performance management and appraisal. Moreover, I will also be considering the different methods of IPA, while giving particular focus to the appraisal of expatriates.

International Performance Management and Appraisal

A MNE is not uniform across all of its subsidiaries and therefore, a number of environmental contingencies must be considered in relation to the various subsidiaries. These contingencies are the mental distance between the parent and host country, entry modes and the role of the subsidiaries (Colakoglu et al., 2009). There are several staffing models that are considered while filling up positions in the subsidiaries. In the geocentric staffing model, companies employ the most competent person irrespective of the country the employee actually belongs to. On the other hand, regiocentric is a geographic strategy and a subset of the geocentric approach whereby employees remain within a particular geographic region, allowing managers to enjoy regional autonomy (Schuler et al., 2002). In the ethnocentric staffing model, parent-country nationals (PCNs) are employed to fill up the higher level positions, whereas in the polycentric staffing model, host-country nationals (HCNs) are employed with the belief that the company will benefit from their local knowledge (Varma et al., 2005). Furthermore, the ethnocentric and geocentric staffing models also require integration and transfer of knowledge inside the host country unit in order to enable better performance from the subsidiary. Moreover, this will mean that

the particular staffing strategy adopted will have an impact on the subsidiaries performance (Colakoglu et al., 2009).

The diverse business strategies of an organisation along with the dynamic global environment create the need for strategic HRM. It has become necessary to strategically manage the human resources of an organisation with the aim that they fit into the global environment and perform well. The operation of MNEs involves two dimensions, these being multiculturalism and geographic dispersion. These two aspects are balanced by adopting a mix of a centralised and decentralised approach since they both have their own benefits. Strategically, it is vital that the HRM fits with the business strategy of the organisation. Furthermore, there is complete control from the headquarters and this centralised approach makes it imperative to develop uniform performance evaluation criteria all throughout the subsidiaries of the MNE (Caliguiri, 2006). In this strategy local responsiveness is very important, whereas global integration is not required. The decentralised approach makes them develop performance evaluation criteria depending on the host country, with the performance evaluation being aligned with the subsidiary's strategy. Moreover, these organisations experience immense pressure for local responsiveness along with global integration and therefore, performance evaluation will also take into consideration the global as well as the local perspectives (Caliguiri, 2006). This means that the success of MNEs can very much depend on the performance of expatriates.

Performance appraisal of an expatriate is a crucial task, with the possibility of conflict between the subsidiary manager and the headquarters. But it is up to the subsidiary managers to set precise targets and establish clear

<https://assignbuster.com/international-performance-management-and-appraisal-management-essay/>

criteria for performance measurement in order to avoid such conflict.

Furthermore, the mental distance between the parent and host country can make managing the subsidiary a difficult task due to the cultural differences, language barriers, as well as the social and political conditions. It is for this reason that companies tend to hire more PCNs within subsidiaries, as they are more able to create an informal communication network in the organisation and build social capital in the corporation, all the while having a dual commitment to both the subsidiary and the organisation as a whole (Colakoglu et al., 2009). As a result, the PCN will further enable the subsidiary to have greater knowledge of what is happening in the MNE. Therefore, subsidiaries will no longer exist in isolation with strong control from headquarters, since they will experience greater integration and autonomy. However, there is at times a conflict of interest between the headquarters and the subsidiaries which can make managing international operations a huge challenge (Boussebaa, 2009).

Performance management of expatriates is undoubtedly more difficult than in the case of domestic managers. The performance of an expatriate will depend on a variety of issues such as the compensation, cultural adjustments, tasks and job roles, as well as support from headquarters and the host environment. The expatriate will face a number of problems when they take up a job within a foreign country. For example, the tasks and job roles are often defined in the context of the expatriate's home country and therefore they may not be able to understand their particular job role in the foreign environment (Newlands and Hooper, 2009). Furthermore, the expatriate may face difficulty in adjusting to the foreign culture, and it will be

up to the MNE to ensure that they acclimatise, as this is vital to the expatriate being able to perform at their best in terms of the job in hand. The host environment will also pose challenges due to a combination of several other factors such as, social, economic, legal, technological and physical complications. Therefore, taking everything into account it is absolutely vital as well as a crucial performance variable that a sufficient level of support is provided to the individual and their family by both the headquarters and hosts (Dowling et al., 2008).

International Performance Appraisal Methods

The performance appraisal of expatriates can involve a number of complicated issues. As such, the data available for carrying out the appraisal may be unreliable, the international environment can be complex and dynamic, it is difficult to carry out an appraisal in a volatile environment, and the geographical distance along with the different time zones often make the appraisal difficult to conduct. Furthermore, as mentioned earlier, the local culture can also have a significant impact on appraisals.

A MNE may carry out an appraisal using the home-based approach or the host-based approach. In practice, these appraisals would be carried out once a year in order to ensure better performance management of the expatriate (Dowling et al., 2008). Alternatively, expatriate appraisals may be carried out using the home-based approach, while the host system is used for appraising third-country nationals (TCN) and HCN. An integrative approach can also be used by combining both the home and host performance appraisal policies in order to create an effective balance. Furthermore, in terms of who will carry out the appraisal, HCNs may be made to conduct appraisals as they can help

<https://assignbuster.com/international-performance-management-and-appraisal-management-essay/>

in devising a suitable appraisal system while helping the acculturation process. An ex-expatriate may also be an option, while self-evaluation may additionally be used, allowing the expatriate to evaluate themselves (Armstrong, 1998). Moreover, the 360-degree feedback could also be employed. This can assist in the issue of biasness as it involves multiple sources for feedback, including peer's who work within close proximity of the expatriate.

Nevertheless, an IPA will generally be carried out by different nationals, including HCNs and PCNs. However, there may be conflicting opinions and perspectives, and several biases may take place when a PCN conducts the appraisal. The geographical distance can also make it difficult for the PCN to carry out the appraisal in an effective manner and therefore, not allowing an appropriate evaluation criteria to be set. Furthermore, it is difficult for the PCN to understand the global business scenario and evaluate performance in context to the international scenario as they may fail to understand the business challenges that exist in the global environment (Shen, 2005). The PCN is forced to rely only on subsequent data while making the evaluation, and therefore they are only able to judge the performance on the basis of quantitative data and not qualitative data. On the other hand, despite overcoming the dilemma of cultural adaptation, a HCN may also have certain biases while conducting a performance appraisal, as they may not feel trusting towards the expatriate, while doubting their intentions.

Performance appraisal in MNEs can also often involve assessment by the immediate manager, where a narrative report is prepared by the manager annually regarding the expatriates work quality and output. Measurement <https://assignbuster.com/international-performance-management-and-appraisal-management-essay/>

techniques like simple rankings, behavioural checklist, and comparison with objectives are used. This is likely to be based on the appraisal practices within the host country, which can involve certain cultural issues. We already know that language barriers can pose a problem, however, a MNE may also face difficulties in developing countries where performance appraisal constraints exist in the form of 'face saving', as well as in the authoritarian societies where employee involvement in appraisals is very limited (Brewster and Harris, 1999).

However, the main challenge is in maintaining global consistency and local fit. A MNE realises that performance appraisals require local adaptation, and consequently managers from different cultures will perceive different appraisal methods as appropriate. The performance evaluation criteria should therefore be easy to understand and should motivate managers irrespective of their culture and nationality (Paauwe and Dewe, 1995 cited in Shen, 2005). Furthermore in terms of setting performance goals, MNEs may either set hard goals or soft goals. Hard goals are quantifiable goals and can be measured through return on investments, profits and market share, whereas, soft goals are qualitative and based on relationships or traits, including customer relations, effort, cooperation, initiative communication skills and leadership skills. MNEs will have the three choices of host standards, home standards or integrative standards when determining the criteria for expatriates. The performance expectation should therefore be effectively communicated to expatriates, while appraisal forms should also be customised according to the understanding of the HCN and PCN, and it should be ensured that the appraisal is conducted in a non-biased manner

(Shen, 2005). Moreover, MNEs will often exempt the expatriate from management duties and appraisal in order to enable them to adjust into the new environment. Consequently, it could also be argued that performance appraisal can be improved in the subsidiaries of the MNEs by setting clear evaluation criteria.

Conclusion

An effective IPA would ensure that a subsidiary is efficiently applying the corporate strategy, and provided that the design of the IPA is suitable, this will result in a positive effect on the company's performance (Janssens, 1994). The performance appraisal of an expatriate can of course be a very difficult task. However, this will generally be carried out by a joint effort from both HCNs and PCNs, which therefore removes the possibility of biasness and allows the expatriate to be assessed in an honest way. Furthermore, according to Milliman et al. (2002), performance appraisal remains an enigma in the management process. On one hand, it is considered to be a critical management tool which enhances communication, development and implementation of the company's strategy, while on the other hand, critics contend that it creates more problems than it resolves and can lead to employees being de-motivated. Nevertheless, performance evaluations clearly have the potential to positively influence global managers, but an important issue to consider with performance appraisals is whether they are carried out in an effective manner and in alignment with their intended purposes.