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Appraising the revamped performance management system in Indian IT multinational enterprises: The employees' perspective

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Abstract

In recent times, leading information technology (IT) multinational enterprises claim to have abandoned many traditional features of their performance management systems (PMSs), including the bell curve. However, there is no published empirical study on how employees are perceiving the change. Using an inductive approach and an employee-centric theoretical lens, we investigated employees' (n = 426) perceptions and satisfaction levels with the revamped PMS in three Indian IT services and business solutions multinational enterprises. Employees perceived the present purposes of PMS marginally more favorably than those in the past; however, the gap between the present and future aspirational perceived purposes of PMS was significantly much higher. Satisfaction levels with different dimensions of PMS and alignment of PMS with other human resource functions and leader-member exchange were only modest. Employees mentioned goal setting and continuous feedback as the most positive features of the current PMSs, and transparency, 360° feedback, and adherence to timelines—as improvement areas. The results are indicative of a positive, but the only modest trend in employee satisfaction and perceptions. We discuss the implications of the findings for the employee-centric theory and practice of PMS in the IT industry.

KEYWORDS
Employees' perspective, Indian IT MNEs, revamped performance management systems

1 | INTRODUCTION

The advent of the 21st century knowledge economy has led to increasing globalization and outsourcing-offshoring of services, powered by disruptive digital technologies, such as social, mobile, artificial intelligence, and cloud technologies, as well as big data and business analytics (Thite, 2018). Accordingly, the business landscape has undergone fundamental changes with tremendous impact on the world of work and people management, especially in the information technology (IT) industry. In the current volatile, uncertain, complex, and ambiguous business environment, IT companies are looking for innovative ways and means to attract, develop, and retain top global talent.

Although in terms of innovations in people management practices, high-technology companies, especially in emerging economies, have been the pioneers (Thite, Budhwar, & Wilkinson, 2014), like most other industries, they find performance management system (PMS) to be one of the most contentious aspects of human resource management (HRM). PMS issues get all the more complicated in IT companies because knowledge work is highly dynamic and evolving in nature and requires high-skilled workers. With a view to harness and optimize employee performance, leading IT MNEs are taking a fresh look at the critical PM function, with many IT companies, one after the other, doing away with the bell curve (Rock & Jones, 2015).

The "scrapping of the bell curve," initiated by high profile IT organizations, such as Adobe, Microsoft, and Deloitte, reached a mass movement in 2015, attracting a lot of media, academic, and practitioners' attention (Buckingham & Goodall, 2015; Cappelli & Tavis, 2016; "10 IT Giants", April 21, 2016). The movement was not

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without naysayers though. Facebook's people's managers argued: "Let's not kill performance evaluations yet" (Goler, Gale, & Grant, 2016, p. 90). Concurrently, PMS scholars and practitioners debated in academic forums whether this was "genius or folly," with defenders on each side of the argument (Adler et al., 2016). While the verdict on PMS disruption, at the level of academic and practitioner discourse, has been equivocal, a critical missing piece in this conversation has been contemporary research on the topic. To the best of our knowledge, there is hardly any empirical report in the Information Systems (IS) or HR literature, on how IT employees are subjectively evaluating the changing PMS dynamics. This gap is as acutely experienced by IS researchers as by those in HR: "However, performance appraisal (PA), which is an important HRM practice, has received relatively little attention from IS researchers (Lee & Keil, 2018, p. 551; see also Agarwal, Brown, Ferratt, & Moore, 2006). Research on revamped PMS in the IT industry is, therefore, conspicuous from its absence, both in HR and IS.

With this article, we fill this gap in the literature. We empirically investigate via quantitative and qualitative measures, how employees in the IT industry are "appraising" the revamped PMS in terms of their perceptions and satisfaction levels. We do so among IT multinational enterprises (MNEs) headquartered in India. As a leading IT services offshoring provider, India is today a prominent player in the global IT services industry and the Indian IT companies have developed a formidable reputation in supplying quality talent in large numbers throughout the Western world (Cappelli, Singh, Singh, & Useem, 2010; Thite, Wilkinson, Budhwar, & Mathews, 2016).

1.1 | Rationale and relevance of the topic

Through this investigation, we attempt to make a scholarly contribution to the literature on PMS by going beyond the managerial rhetoric and directly tapping employee voice to ascertain their perception of and satisfaction with the revamped PMS in the IT industry. Such an understanding is critical to shaping the management policy and future directions in PMS in the IT industry in particular, and in all other organizations in general (see also, Murphy, 2019; Varma & Budhwar, 2020). This quest resonates with such concerns highlighted in the present special issue call for articles: "How do organizations evaluate the success/failure of feedback mechanisms?...What do organizations do to ensure that employees stay motivated? ...What impact does the supervisor–subordinate relationship have on subordinate motivation and performance in MNEs?" (HRM Call for Papers, 2019, p. 3).

We investigate the research questions in the Indian IT industry because it holds a cherished position in the global business landscape, both in financial and human capital terms. In 2018–2019, the exports from the Indian IT and business process management (BPM) sector reached a staggering US$135.9 billion (NASSCOM, 2019). It dominates the global outsourcing market with a 56% share (Invest India, 2019). In terms of human capital, it provides direct employment to 3.9 million people with an estimated 2.5–3 million new jobs by 2025 (Press Information Bureau, Government of India, 2017).

Not only has this sector been noted for the quantity and quality of intellectual capital, but also for excellence in human capital management—which has been its enduring core competitive advantage (Thite et al., 2014). Other facets of noteworthy HR features include human capital orientation in terms of recruiting, retaining and developing talent (Chadee, Raman, & Michailova, 2011), adoption of a "bundled" set of HR practices (Sanyal & Sett, 2011), employee involvement, career development, comprehensive training, development-oriented performance management, the use of HR metrics and an employee-friendly work environment (Mulla & Premarajan, 2008; Paul & Anantharaman, 2004). Thus, this sector is of much relevance in basic and applied HR management practice to investigate and evaluate the new trends in performance management.

2 | PRESENT RESEARCH: AN OVERVIEW AND SIGNIFICANCE

Keeping in mind the recency and currency of the topic, we followed an inductive approach to defining the problem statement and designing the research questions. In recent past, such research approaches have been strongly encouraged and urged by editors of leading management and HR-focused journals (for a review see Eisenhardt, Graebner, & Sonenshein, 2016; Spector, Rogelberg, Ryan, Schmitt, & Zedeck, 2014; Woo, O'Boyle, & Spector, 2017). Vital to both theory-building and generating novel practical insights, an inductive approach allows flexibility in building the research questions and in choosing the methods from the ground-up. The stepwise inductive approach to present research is schematically presented in Figure 1.

To overview, the primary motivation for this research came from the ongoing scholarly discussions and debates (e.g., Adler et al., 2016) that seemed to be missing the empirical arguments. Specifically, from the year 2015 onward, while the business press reported that both Western and Indian IT services companies have started making major changes to their PMS, such as "abandonment of annual, bell-curve based, and manager centric appraisal system with continuous feedback involving real time, forward-looking conversations led by employees themselves and aided by digital, collaborative technologies" (The Economic Times, 2015, The Economic Times, 2016a, p. 1; The Economic Times, 2016b; The Washington Post, 2015), to the best of our knowledge, till date there has been no systematic attempt to understand the extent to which these changes have achieved their stated objectives, especially from the perspective of employees. Also, a nuanced and thorough discussion on the HR interventions cannot be found in mainstream media reports. Hence, we first conducted first-person interviews with senior HR leaders of Indian IT companies to understand the exact nature of changing PMS in their respective organizations. Based on the key practical insights, we selected measures that would tap employees' perceptions and satisfaction levels of the revamped PMS.

Our research design and approach were influenced by two theoretical premises found in the literature, namely, the social context model, underpinned by the employee reactions, attitudes, and

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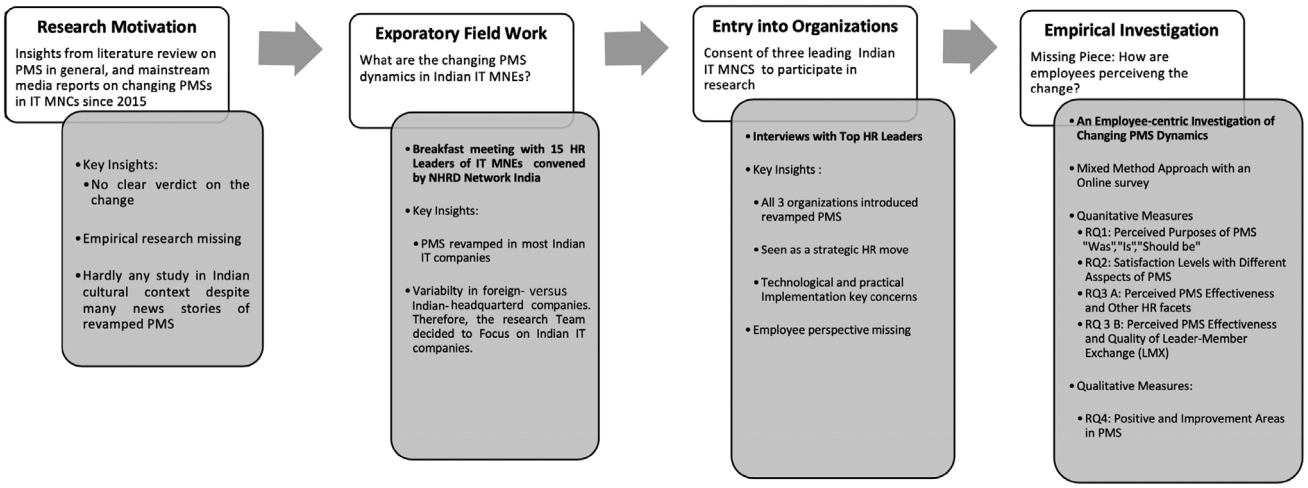

FIGURE 1 Inductive step-wise approach to arriving at research questions and empirical investigation

cognitions (Levy & Williams, 2004), and the horizontal alignment in HR practices model (DeNisi & Smith, 2014). Both themes draw from an employee-centric model of PMS (Van Beurden, Van De Voorde, & Van Veldhoven, 2020; Wang, Kim, Rafferty, & Sanders, 2020). We discuss the theoretical rationale against the backdrop of the evolution and challenges of PMS.

3 | THE EVOLUTION AND CHALLENGES OF PMS

While human beings have always been interested in measuring performance in any endeavor, in the modern management setting, academic research on performance rating began in the 1920s led by organizational psychologists (for a review see DeNisi & Murphy, 2017). This exploration began as "employee appraisal" which was purely an administrative process whereby employees' past performance was evaluated generally on an annual basis against criteria set mostly by the management. The evaluation was then used to determine salary or merit pay increase and promotion or demotion decisions. While employees had the most stake in the process, their involvement was minimal as the process was primarily driven by company policy and immediate supervisor. Feedback was minimal, if at all. Over the years, employee appraisal became "performance management" in some progressive companies whereby, apart from administrative aspects as above, future-focused "developmental" aspect, in terms of identifying training and career needs, was introduced. In line with the increasing emphasis on employee involvement, empowerment, and engagement as an integral part of strategic HRM, "joint goal setting" by immediate supervisor and employee, became another key feature of PM. Other subsequent innovations in the PM area included 360° performance assessment, involving self, colleagues, supervisor, and even customers. To differentiate and reward top talent, a bell curve was also adopted where employees were ranked as star, average, and poor performers, and the ratings were moderated/normalized by corporate HR to fit them in the bell curve or relative ranking of employees.

The evolution, however, has not been without challenges. Edward Deming considers performance evaluation as one of the "deadly diseases of management" (Hunter, 2012). Typically, each PA cycle is followed by a spate of resignations by employees. While from the management side, the performance management process provides the best avenue to align organizational strategy, vision, and mission to individual tasks and goals and set the bar for performance expectations, from the employees' side, a lot is at stake, as they are evaluated on their past performance and rewarded or disciplined accordingly. It also sets the scene for shaping the future performance of the employees in terms of deciding training inputs to be provided for upskilling and long-term career development. As noted by Pulakos and O'Leary (2011), while research has extensively focused on understanding and improving PMSs in organizations, the formula for effective performance management remains elusive.

For our study, rather than taking a narrow view of PA or management, we take a systems view of PMSs that "begin with performance appraisal as a jumping-off point, and then focus on improving individual performance in a way that is consistent with strategic goals and with the ultimate goal of improving firm performance" (DeNisi & Murphy, 2017, p. 421). Further, we take an employee-centric contextualized approach to assessing the effectiveness of performance management practices (see Levy & Williams, 2004). PMS is only as satisfactory as the employees it is designed to appraise (Iqbal, Akbar, & Budhwar, 2015). Therefore, to assess the effectiveness of the revamped PMS in Indian IT companies, we look at employees as "appraisers" of the change.

4 | CONTEXTUALIZATION OF PERFORMANCE MANAGEMENT RESEARCH FROM EMPLOYEE PERSPECTIVE

Contemporary HR reviews draw attention to the person-centered or the employee-focused research published in leading HR and management journals (Van Beurden et al., 2020; Wang et al., 2020). Wang

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et al. (2020) reviewed 105 articles that have used an employee-centric approach and Van Beurden et al. (2020) reviewed 45 articles. Both, after an extensive and thorough review, concluded that employee perceptions of HR are an important way forward to investigating the phenomenon at hand. The reviews highlighted that a desirable theorization of the employee-centered approach look at the employee as the subject, rather than the object of HR mandates, and also of the researcher's empirical inquiry. These resonate more broadly with the recent emphasis on: "putting the person in the center" in organizational science (Woo, Jebb, Tay, & Parrigon, 2018, p. 814) and "the turn to employees in the measurement of human resource practices" (Beijer, Peccei, Van Veldhoven, & Paauwe, 2021, p. 1).

In the context of PMS, DeNisi and Murphy (2017) in a review of PA and management research over the last 100 years, note that "perhaps the most significant progress we have made during this time is to come to better appreciate the critical influence of the context in which performance appraisal occurs on the process and outcomes of appraisal…[Context] implies paying attention to when and why performance appraisal is carried out." (p. 429). Contextual variables range from distal (e.g., national or organizational culture) to proximal (e.g., relationship with the supervisor) (DeNisi & Murphy, 2017; Levy & Williams, 2004). Employee attitudes such as satisfaction levels and their cognitive appraisals with respect to the various HR practices serve as the most proximal context within which PMS operates (Levy & Williams, 2004). We, therefore, pursue our empirical inquiry of assessing employee perceptions of revamped performance management practices keeping the cognitive appraisal and attitudinal variables in mind.

Our methods inform the conceptualization of relevant constructs and research questions. Because we undertook an inductive exploratory approach to investigating the employee perceptions of revamped PMS, we combine both quantitative and qualitative methods for a "holistic triangulation," that is, to get unique and complementary insights the respective methodology offers (Turner, Cardinal, & Burton, 2017, p. 247). Quantitative measures would provide us evaluations of employees' aggregate level responses to revamped PMS; qualitative text-based data would provide us an understanding of the specific issues and concerns employees might have—which could be novel insights hitherto not considered by the researchers and practitioners. The quantitative measures tap the following perceptions and attitudinal variables: (a) employees' perceived purposes of PA referenced in terms of Was, Is now, Should be, (b) employee satisfaction levels with the different dimensions of revamped PMS, (c) alignment of the perceived effectiveness of PMS with "HR bundles" and the quality of Leader–Member Exchange (LMX). The qualitative open-ended questions include employees' perceptions of the positive features as well as improvement areas of the PMS, which we believe would provide unique and authentic insights on the employees' subjective experiences with the revamped PMS. Accordingly, the theoretical bearing and the corresponding research questions are described in detail later.

4.1 | Perceived purpose of PMS: was, is, should be

Fritz Heider, the noted social psychologist, conceived of human beings as "naïve scientists," (Heider, 1958)—that is, people constantly engage in the process of seeking causal linkages of behaviors and social events, thereby assigning attributions—the "why" of events to persons and situations. HR researchers encourage integrating attribution theories to understanding employees' ascriptions of policies and practices (see Hewett, Shantz, & Mundy, 2019, for a review). Prior research demonstrates that employees' subjective reasons for the purposes of HR practices, rather than the existent policies and practices, affect their attitudes and behaviors in the organization such as satisfaction and citizenship behaviors (Nishii, Lepak, & Schneider, 2008).

Research in the domain of PMS corresponds with these findings. Subjective evaluations of the purposes of PAs and not, necessarily the organization's stated purposes, are critical to determining attitudes (Cleveland, Murphy, & Williams, 1989; Milliman, Nason, Lowe, & Huo, 1995). The perceived purposes of the PA are associated with a host of individual-level and organizational outcomes, ranging from commitment (Youngcourt, Leiva, & Jones, 2007) to emotional exhaustion (Shantz, Arevshatian, Alfes, & Bailey, 2016). Traditionally, the purposes of PA—as conceived by the management and HR—were evaluative and developmental. However, research adopting the employee-centric stance argue for an expanded conceptualization of purposes of PA, revealing that employees' perceptions of the purposes include other aspects such as role definition, relational, as well as strategic perceptions (Iqbal et al., 2015; Youngcourt et al., 2007). Tapping employees' subjective understanding of the various purposes would provide an understanding of what the employee's value in the PMS. This is all the more relevant to present research because in light of the revamped PMS, it is worthwhile to explore if employees report any perceived change in the ascribed purposes of PMS.

Accordingly, our first research question is:

RQ 1. How do employees' perceived purposes of PA vary across time referents of "was," "is now," "should be"?

4.2 | Employee satisfaction with the key dimensions of PMS

A nuanced understanding of employees' perceptions of the performance management practices requires a measure of "individual-level attitudinal evaluations," (Pichler, 2012, p. 710). One of the most frequently researched employee attitudes has been *satisfaction*; the construct is most commonly operationalized as employee satisfaction with the appraisal session, and satisfaction with the wider appraisal system (Cawley, Keeping, & Levy, 1998). Cawley et al. (1998) in the meta-analysis of the effects of PA reactions, found that in the research on PMS, appraisal satisfaction was the most frequently measured reaction; reasons being its importance to outcome variables, such as motivation, commitment, and productivity.

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Contemporary theorizations suggest taking such core elements also into account as satisfaction with frequency and feedback process (Keeping & Levy, 2000; Pichler, 2019), as well as employees' perceptions of goal-setting process and outcomes (Cleveland & Murphy, 1992; Locke & Latham, 2002). The latter emphasis is all the more relevant to IT industry where goal-aligned project management tends to be more dynamic and flexible in nature which HR managers have to take into account in performance management practices (Thite, 2018; Thite et al., 2014).

Our next research question, therefore, focuses on understanding satisfaction levels with constituent elements of PMS:

RQ 2. What is the extent of employee satisfaction with different dimensions of PMS, particularly with respect to PA and goal setting processes?

4.3 | Perceived effectiveness of PMS with respect to other HR functions: bundling effect

Research consistently suggests that from a holistic perspective, PMS should be defined in the context of a broader set of HR activities rather than an isolated activity (Aguinis, 2013; Pulakos, Mueller-Hanson, O'Leary, & Meyrowitz, 2012). HR practices conceivably considered as a "bundle" of mutually reinforcing practices have been found to be more critical to individual and firm-level outcomes than each practice considered in isolation; for example, a horizontal alignment between HR practices—such as staffing, training, and development—with PMS is recommended (DeNisi & Smith, 2014). In a meta-analysis of 65 studies, Subramony (2009) found that HRM bundles have significantly larger effect sizes than their constituent individual practices and have positive business outcomes. Subramony (2009), therefore, advices HR scholars to focus on "synergistic HRM combinations" instead of isolated HR practices for measuring both firm- and individual-level outcomes. The recommendation reflects in both theoretical (e.g., Ostroff & Bowen, 2016) and empirical research (e.g., Kim, Su, & Wright, 2018). However, in yet another meta-analysis, Jiang, Lepak, Hu, and Baer (2012) found that the HR systems tend to be multidimensional in nature, and distinct practices serve different functions in the organization: for example, recruitment, selection, and training serve the skill-enhancing function whereas PA serves the motivation enhancing, job-design, and grievance procedures serve the opportunity-enhancing function.

Hence, with respect to employees' perceptions of the effectiveness of revamped PMS in the current study, it is an empirical question how far PMS is bundled or horizontally aligned with other HR facets prevalent in the organization. Toward this end, we examine:

RQ 3A. What is the extent of alignment between employees' perceived effectiveness of PA practices and other HR facets such as staffing, training and development, and the overall work environment?

4.4 | Perceived effectiveness of PMS and leader–member exchange

Contextualization of PMS does not only include macro-level HR practices, but it can also be done in more micro-level interpersonal behavioral dynamics. An employee's immediate supervisor—the proverbial rater in the PMS dynamics—is a critical link between HR functions and the employee (DeNisi & Murphy, 2017; Purcell & Hutchinson, 2007). For example, Google's Project Oxygen, a data-driven approach to identifying the key qualities that make effective bosses, affirmed that it's not the technical expertise but the ability to connect with the employees that make for better bosses, and bosses vary significantly on such people's skills (Garvin, Wagonfeld, & Kind, 2013). Corresponding research on LMX—the quality of the relationship between the supervisor and the subordinate—suggests that LMX is a key determinant of employees' satisfaction levels in an organization (Graen & Uhl-Bien, 1995). Positive LMX has been found to correspond with higher levels of satisfaction and favorable perceptions of PMS (Elicker, Levy, & Hall, 2006). A "shared language" between HR and Line Managers is found to mediate between HR initiatives and organizational outcomes such as turnover rate (Kim et al., 2018). A contextualized understanding of employees' appraisal of revamped PMS must, therefore, take into account the quality of LMX or the experience and association with the immediate supervisor. Despite the potential relevance, LMX also has been identified as one of the under-researched topics in PMS research, with reviewers urging more empirical research (Brown, O'Kane, Mazumdar, & McCracken, 2019). Hence, in light of the revamped PMS, we explore:

RQ 3B. What is the relationship between perceived effectiveness of PA practices and the quality of LMX with the immediate supervisor?

4.5 | Employee "voice": open-ended qualitative survey responses

A grounded approach to studying the phenomenon of interest in a sample where little research has been done requires that the quantitative approach be complemented with a qualitative one—yielding a mixed-method approach; this approach is particularly relevant to the study of HRM functions in global multinational corporations where cross-cultural generalizability of established theories cannot be taken for granted (Kiessling & Harvey, 2005). This also provides for "holistic triangulation," that is, by leveraging the respective merits of qualitative and quantitative methods, researchers gain a more in-depth and complete understanding of the phenomenon at hand (Turner et al., 2017).

While quantitative measures allow for employees' responses on a given set of dimensions, it is also critical to tap employees' voice—their free and open-ended responses—in organizational strategic changes and interventions that were initiated by the HR or top leadership. In present study, a contextualized employee-centric approach to

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PMS would be theoretically and empirically incomplete without providing the employees an opportunity to voice their opinions, especially when they are conceived of as the appraisers of change. Toward this end, we use open-ended survey questions (see Jackson & Trochim, 2002) to capture employees' voice in revamped PMS.

RQ 4. What, according to the employees, are the positive features and improvement areas in PMS in their organizations?

5 | METHODS

5.1 | Procedures and sampling

5.1.1 | Company selection

The information on changing PM dynamics in the Indian IT sector was mostly available as business reports in mainstream media. To get first-hand HR insights, we organized a breakfast meeting, in January 2017, under the aegis of the *National Human Resources Development Network India*, of the top HR professionals of 15 IT multinationals located in Bengaluru, the famed "*Silicon Valley*" of India. In the focus group discussion facilitated by the research team, the HR heads provided details on the changing PM dynamics in their respective organizations. Based on the discussion insights, we detected marked variability in the stage and nature of PM changes rolled out in the respective organizations. This was especially influenced by factors such as whether the MNE was Indian or foreign-owned. To minimize the effect of such extraneous influences, while also keeping the sample representative, we decided to focus on IT multinationals of Indian origin, specifically those that were in the process of revamping the PMS. We sent the research proposal to the top five IT companies out of which three agreed to participate in our study. The company names have been anonymized as Alpha, Beta, and Gamma in the present report.

5.1.2 | Company information

All three organizations were global IT services companies headquartered in Bengaluru. To better understand the HR initiatives, with respect to PM changes, the research team conducted interviews with the HR heads of the three organizations (see Table 1 for a detailed description). Our interviews covered three key aspects of PMS, namely, people, process, and practical implementation. We asked the HR heads what changes to PMS have been made in the recent past; why; and how managers have been trained to roll out the changes. In addition, we asked for the role of technology and the management perception of how employees have received the changes and any evidence of the intended impact of change. The insights derived from the interviews helped us devise a structured questionnaire that helped us assess the employee perspective and satisfaction levels with revamped PMS. To reach out to a large set of respondents, we posted the questionnaire as an online survey, which was e-mailed by the HR officers of each of the three organizations to their respective employees, participation being completely voluntary and anonymous. The participants could exit the survey any time.

5.1.3 | Participants

A total of 456 employees responded to the survey. Of these, 30 respondents initially consented to participate, but did not respond to any questions, and were thus excluded from analyses. Among the remaining 426 responses, there were some missing data, the handling of which is discussed in the preliminary analyses. The average work experience of the respondents was 7.3 years (n = 402, SD = 4.40), and 61% were males and 39% females (n = 420). Fifty-three percentage of the employees were in the age group 25–30 years, 26% in 31–35, 9% in 36–40 years, 6% in 20–24 years, 5% in 41–45, and 1% in >50 years (n = 422). Sixty-five percentage had a bachelor's degree, 32% master's, 2% diploma, and 1% PhD (n = 417).

5.1.4 | Web-based survey

The survey comprised the scales described later. All items were measured on a 5-point Likert scale with 1 being minimum ("extremely dissatisfied"/"strongly disagree") and 5 being maximum ("extremely satisfied"/"strongly agree"). The items in each of the scales were randomized in the web-based survey, which helped us provide a structural control for common method variance (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).

1. *Perceived timewise purposes of PA (Was/Is/Should Be)*. To assess employees subjective appraisals of what PMS is/was targeted at achieving, and what their future aspirations with regard to PMS were, they were asked: "What according to you are the possible purposes of PA in your organization?" followed by "Was," "Is," "Should be." The scale (Milliman et al., 1995; Murphy, Cleveland, Skattebo, & Kinney, 2004) adapted for present purposes comprised 15 items, assessing the strategic (four items), evaluative (three items), developmental (four items), goal-setting (two items), feedback (one item), employee voice (one item), and supervisor connectedness (one item) purposes of PMS. Agreement or disagreement with each perceived purpose was expressed against three-time indices: was, is, and should be.
2. *Employees' satisfaction with different dimensions of PMS*. The construct of PMS was broken down into its constituent elements to assess employees' satisfaction with distinct dimensions. This included items on satisfaction levels with Appraisal Frequency, Appraisal Feedback Process, Supervisor Feedback, Goal Setting, Flexibility to Revise Goals, and the Overall Satisfaction with PMS. Specific instructions included: "In general how SATISFIED or DISSATISFIED are you with the following aspects of the PA system in your organization: a) The frequency at which the appraisal occurs. b) The process used for appraisal giving and receiving. c) The feedback received from the supervisor. d) Clarity on the goals set and

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TABLE 1 Respondent organizational profile and key changes to PMS

	Alpha	Beta	Gamma
Year of establishment	1968	1991	2000
Turnover US$	19 billion	9 billion	260 million
Employees	400,000+ (10% non-Indian)	120,000+	7,500+
Participants	261	95	70
Key features of and changes to PMS	- Driven by employee-experience/voice - Continuous, instant, online feedback - Competency and learning-organization framework - Focus on internal talent development - Assessment solely against goal, not bell-curve - Both PMS and L&D powered by digital technological tools	- Employee-led process - Continuous, on-demand feedback - Structured one-on-one (1:1) meetings - Real-time goal setting and progress monitoring - Talent differentiation to build high-performance culture - Powered by digital technological tools	- Equal focus on what is delivered and how (ethics-driven) - Removal of operational inefficiencies through automation, etc. - Aim to gradually remove bell-curve - Removal of biases toward gender, tenure, flight risks, etc. - Powered by digital technological tools

progress made. e) Flexibility to revise goals in the appraisal cycle. f) Overall satisfaction with the PA System."

3. *Perceived effectiveness of PMS*. To assess the degree to which the employees consider PMS to be of strategic importance to the organization, they were asked, The PA Practices help our company: (a) "to have high performing employees," (b) "to have employees who are satisfied with their jobs," and (c) "to make a positive contribution to the overall effectiveness of the organization."
4. *Employee perceptions of other HRM facets*. To assess the "bundling effect" of HR practices, the 15 items measure (Gibb, 2001) assessed employee satisfaction with the three core areas of HRM, namely staffing matters (e.g., "We hire the right person for the job"), employee training and development (e.g., "There are sufficient training and development opportunities available to me") and overall work environment (e.g., "There is good communication between managers and employees").
5. *Leader–member exchange*. Because the immediate supervisor is a critical piece of the employee's performance management experience, the employees were assessed on the quality of the overall relationship with the immediate supervisor using the LMX 7 scale (Graen & Uhl-Bien, 1995). Sample items included, "How well does your supervisor understand your job problems and needs?"
6. *Open-ended text response*. The survey ended with employees' being asked for open-ended responses to the following three questions: (a)"In your view, what are some of the positive features of the current PMS?" (b) "In your view what major changes are needed to further improve the PMS? and (c) "Do you want to share any other thoughts about the PMS in your organization?"

6 | RESULTS

6.1 | Preliminary analyses for missing data and common method variance

An initial visual inspection of the data suggested that values were missing at the item as well as the respondent level. Systematic missing value analysis was done to see the pattern of missing data. Among 426 respondents, while 47.24% had filled out the entire survey, 57.3% had at least one value missing. At the level of variables, 77.47% values were complete. After excluding the Perceived Purposes of PMS (Was/Is/Should be) scale (where the instructions explicitly said that the respondents could ignore the items that do not apply to them), the pattern came close to being categorized as *Missing at Random* (Little & Rubin, 2014). Because scholars advise against excluding cases from the collected data (see Graham, 2009; Newman, 2014 for a review), the missing values, for all scales, except demographics and Perceived Purpose of PMS (Was-Is-Should be), were substituted using multiple imputations with five iterations of the overall sample.

The electronic modality of the survey had allowed randomization of individual items within each of the scales, which was our initial structural control for common-method-bias. To further detect common-method variance, we also conducted Harman's one-factor test (Fuller, Simmering, Atinc, Atinc, & Babin, 2016). The total variance in the single-factor model was 33%. Value less than 50% is considered a proxy indicator to suggest that the common-method-bias was not a problem in the data set.

6.2 | Main analyses

A central question of our investigation was whether perceived purposes of PMS get evaluated differently along with the time referents of past (Was), present (Is), and future (Should be) (RQ 1)? The reliability of the 15-item scale on each of the three-time dimensions (was, is, should be) was high (>0.95), therefore, we computed the aggregate means for each. A repeated-measures ANOVA with a Greenhouse–Geisser correction determined that the perceived purpose of PMS differed significantly across the three-time points ($F_{(1.70,539.76)}$ = 295.28, p <.0001, partial eta-squared = 0.48). Post hoc tests using the Bonferroni correction for pairwise comparisons revealed that the favorability of the perceived purposes was significantly lower for Was

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TABLE 2 Perceived purposes of performance appraisal system in the organization (*N* = 317)

S.no.	Item	Was	Is now	Should be
		Mean (*SD*)		
1.	To convey organizational strategy, vision, mission and goals	3.15 (0.97)	3.20 (1.02)	4.09 (0.86)
2.	To convey performance expectations from employees	3.27 (1.00)	3.32 (1.00)	4.20(0.81)
3.	To align employee goals with those of the organization	3.17 (1.03)	3.35 (0.99)	4.19 (0.79)
4.	To jointly set individual performance goals for the future	3.11 (1.04)	3.27 (1.02)	4.16 (0.83)
5.	To evaluate employee's goal achievements in the past	3.19 (1.06)	3.26 (1.06)	4.15 (0.83)
6.	To determine pay, promotion and other rewards	3.10 (1.18)	3.06 (1.12)	4.26 (0.86)
7.	To document employee's performance	3.25 (1.01)	3.32 (1.02)	4.16 (0.78)
8.	To plan development activities for employee (e.g., training, skill development)	3.11 (1.10)	3.17 (1.09)	4.23 (0.82)
9.	To discuss specific ways in which employee can improve performance	3.12 (1.04)	3.24 (1.01)	4.20 (0.79)
10.	To provide a voice to employees to express their views on all aspects relating to their performance	3.05 (1.02)	3.14 (1.07)	4.19 (0.81)
11.	To help the employee in career planning within the organization	3.00 (1.09)	3.09 (1.12)	4.25 (0.80)
12.	To develop a closer working relationship between the appraiser and appraisee	3.13 (1.03)	3.28 (1.05)	4.24 (0.83)
13.	To provide feedback to employees on a continuous basis	3.04 (1.14)	3.18 (1.10)	4.24 (0.84)
14.	To encourage high-performance culture in the organization	3.17 (1.08)	3.27 (1.06)	4.24 (0.81)
15.	To guide and assist employees who have not met organizational performance expectations/standards	3.14 (1.11)	3.10 (1.11)	4.21 (0.86)

Note: Scale range (1–5), 1: "not at all"; 5: " to a very great extent."

(Mean = 3.12, *SD* = 0.89) than Is (Mean = 3.25, *SD* = 0.86) and Should be dimensions (M = 4.19, *SD* = 67), $p < .01$ after adjustment for multiple comparisons. The mean for each of the 15 items displayed the same pattern (except items 6, 15; see Table 2), indicating that overall, as well as for each kind of purpose—evaluative, developmental, and so on— employees had perceived a positive shift change from the past. Whereas there was only a marginal difference between "Was" and "Is" evaluations, the "Should be" items were rated much higher than either, indicating high aspirational levels of the employees for the purposes PMS should be designed to achieve.

Turning to the employee satisfaction levels with the different dimensions of current PMS, namely the Appraisal Frequency, Appraisal Feedback Process, Goal Setting, Flexibility to Revise Goals and Supervisor Feedback (RQ 2), the means ranged from 3.26 (*SD* = 1.21) to 3.53 (*SD* = 1.16) (Table 3). In interpreting these scores, it would be worthwhile to keep the corresponding points of the Likert scale in mind. Whereas 3 indicated "neither satisfied nor dissatisfied," 4 indicated employees were "somewhat satisfied," and 5 being "extremely satisfied." The obtained range of scores suggests that employees were only modestly satisfied with the different facets. However, on none of the indices, did employees indicate that they were dissatisfied. The correlations of all facets with each other were significantly high and positive ($r > .50$, $p < .01$), except on Appraisal Frequency, which though positive, was not as highly correlated with Goal Setting, Supervisor Feedback, and Overall Satisfaction ($r < .26$, $p < .01$).

Besides assessing the satisfaction levels with the PMS facets, we also measured how favorably do the employees perceive the effectiveness of different HR facets, namely, PMS, staffing matters, training and development, and overall work-environment (RQ 3A). As presented in Table 4, the mean agreement levels on the effectiveness of the HR facets were higher than the scale midpoint (all means <4) indicating employees perceived the strategic importance of HR facets in a moderately favorable manner. However, the correlation between the perceived effectiveness of PMS and other HR functions, though positive was lower than other bundles. Other than PMS, all the HR facets were highly positively correlated with each other which potentially could be acting like a bundle, and PMS could be more distinctly construed by the employees than Staffing Matters, Training and Development, and Overall Work Environment.

The quality of the experience with the immediate supervisor, assessed via LMX 7 (RQ 3B), again, followed the same pattern of modest levels of satisfaction (*M* = 3.47, *SD* = 0.77). The correlation with the Perceived Effectiveness of PMS, as well as other HR facets, was positive, but modest, thereby indicating only a marginal role of the immediate supervisor with employees' perceptions of HR strategic functions.

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TABLE 3 Satisfaction Levels with Different Dimensions of Performance Management System (PMS) (*N* = 426)

S.no.	PMS dimension	Mean	*SD*	1	2	3	4	5	6
1	Appraisal frequency	3.53	1.16	1					
2	Appraisal feedback process	3.26	1.21	.441**	1				
3	Goal setting	3.41	1.13	.231**	.621**	1			
4	Flexibility to revise goals	3.40	1.19	.324**	.571**	.707**	1		
5	Supervisor feedback	3.48	1.16	.247**	.582**	.584**	.586**	1	
6	Overall satisfaction with PMS	3.28	1.20	.267**	.692**	.689**	.666**	.666**	1

Note: Scale range (1–5), 1: "extremely dissatisfied"; 5: " extremely satisfied."
**p <.01.

TABLE 4 Employee perceptions of HR facets, appraisal practices, and immediate Supervisor (*N* = 426)

S.no.	Satisfaction level	Mean	*SD*	Cronbach's alpha	1	2	3	4	5
1	Staffing matters	3.52	0.89	.83	1				
2	Training and development	3.65	0.97	.89	.690**	1			
3	Overall work environment	3.70	0.97	.89	.738**	.737**	1		
4	Effectiveness of performance appraisal practices	3.52	1.1	.89	.426**	.394**	.489**	1	
5	Experience with immediate supervisor (LMX)	3.47	0.77	.84	.349**	.364**	.477**	.415**	1

Note: Scale range (1–5), 1: "strongly disagree/extremely dissatisfied"; 5: " strongly agree/extremely satisfied."
**p <.01.

6.3 | Qualitative data and coding

Employees' responses to the open-ended questions on "positive features," "improvement areas," and "any other thoughts," comprised qualitative text data (RQ 4). Forty percentage of the respondents provided answers to each of the first two questions; 30% to the "other thoughts." The text responses were in one or the other forms: single-words, phrases, complete sentences, and paragraphs. Upon multiple reading of the responses, the authors decided on a list of higher-order thematic categories into which each response could be coded. The codes came very close to the verbatim response, so the responses were not force-fit in the categories. For the positive responses, these included Goal Setting, Continuous Review, Project Work, and so on. For the improvement areas, these included, Transparency, Adherence to Timelines, and so on. The response from a single participant could also be coded in two different categories. For example, a response "The present appraisal system is quite good, positive features are like defining and goal setting well in advance, frequent reviews, and so on" was coded in "goal setting" and as well as in "continuous review." Responses such as "good" "ok" which did not provide any details were not coded. Responses in the "any other thoughts" could be categorized as either positive or improvement areas.

Word clouds of the thematic categories provide an idea on the most-represented categories. For the positive features of the current PMS (Figure 2), "Goal Setting" was the most represented category followed by "Project Work" and "Continuous Feedback." Some verbatim responses include: "Clear goals are set for each appraisal cycle and associates are measured on their performance on the basis of clear metrics." (Goal Setting); "Since we can raise max of 6 Project End (PE). So one can raise PE for any of projects worked for and can be evaluated and rated fairly if there is any change of work or project." (Project Work); "Current appraisal system calls for a regular feedback rather than a half yearly feedback. Can feel more connected with the supervisors and the expectations set out for the year." (Continuous Feedback).

FIGURE 2 Employees most frequent coded category for positive features in current performance management system (Word Cloud, frequency of coded tags >4)

In the Improvement Areas (Figure 3), the most frequent category was "Transparency, followed by "Adherence to Timelines" and "360-degree." Sample comments, include: "Performance review is good but appraisal should be more transparent based on performance." (Transparency); "The timelines should be adhered to, we have seen the deadlines getting revised multiple times." (Adherence to Timelines); "360° appraisal system should be implemented." (360°).

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FIGURE 3 Employees most frequent coded category for improvement areas in performance management system (Word Cloud, frequency of coded tags >4)

7 | DISCUSSION

Our quantitative and qualitative data provided a contextualized assessment of the revamped PMS in Indian IT multinationals from the employee perspective. The satisfaction levels on all the quantitative indices, namely the purposes, facets, and effectiveness of PMS as well as on the HR practices as well as immediate supervisor similarly were only modest. The results suggest that although employees do not report being dissatisfied, they are not highly satisfied either, as the averages ranged from 3.20 to 3.70 on a 5-point scale. These findings could be interpreted in two ways: revamped PMS, even with all the sensation it has created, is serving only the hygiene purpose, that is, it is keeping the employees from being dissatisfied; the motivational impact of PMS (DeNisi & Smith, 2014) remains unrealized. The other interpretation with modest satisfaction levels is more speculative, in that perhaps with the passage of time, employee satisfaction levels would increase—something that future longitudinal studies can explore. Present results attest only to current satisfaction levels which are only modest in nature.

One primary question we asked was whether employees perceive the purposes of PMS differently across the time dimensions of Was, Is Now, and Should be. This indeed was the case. Employees perceived the purposes—developmental, evaluative, administrative, goal setting—slightly more favorably for the present than for the past. The important finding was that "Should be" purposes were rated much higher than the present or past, suggesting a gap between the expectations of the employees and their current satisfaction levels. This finding, while indicating that there is a gap between stated HR claims and the employees' perceived realities, also suggests that employees have a clear set of expectations in mind for the purposes PMS must serve. Our results also indicate that although employees rated all kinds of "should be purposes" favorably, the purpose of "career planning within the organization" was rated the highest. The purpose "to convey organizational strategy, vision, mission & goals" was rated the lowest. This speaks to the concerns raised by DeNisi and Smith (2014) on the complexity involved in translating the firm-level objectives in terms of employee-level perceptions—which as our results demonstrate is important for researchers to empirically unravel. Such empirical insights lend credence to the theory of employee appraisals as being a key proximal context within which the HR strategy, policies, and functions unfold (DeNisi & Smith, 2014).

Our results speak only partially to the bundling effect of HR practices—the alignment of staffing, training and development, and overall work environment was highly positive; however, the correlations of the effectiveness of PA practices with other HR practices, though positive, were slightly lower. Perhaps, the other HR practices are more distally experienced by the employees than PMS; PMS in the HR bundle could be a distinct practice that affects employees differently. Similarly, the relationship between the LMX and the strategic effectiveness of PA Practices, though positive, was only moderate, thereby indicating only the modest influence of the immediate supervisor in the perceptions of the effectiveness of PMS. These results speak to the multidimensional nature of HR as a system, such that the individual HR facets fulfill distinct needs (Jiang et al., 2012).

Our open-ended survey questions on the positive features and improvement areas of PMS brought out key employee-centric insights that otherwise would have remained hidden. The mixed-methods approach to understanding the research questions at hand—particularly when a classic phenomenon, is being studied from a fresh perspective in a new sample—therefore is noteworthy in the present research. This corroborates with the call for such research approaches in HR and other organizational research (Kiessling & Harvey, 2005).

7.1 | Theoretical and practical implications

PMS scholars note that performance management function appears to be at the beginning of a paradigm shift toward practices that emphasize more frequent, timely, and developmental feedback for employees, rating-less feedback, on-going coaching, and the "feedforward" interview. However, our results suggest that the impact, from the employee perspective, is not as drastic as believed to be. Scholars perhaps need to make a sound empirical assessment before indiscriminately adopting the new system.

While employees are the key stakeholders in the PMS ecosystem, they are rarely involved in the process of design, implementation, and outcome decisions of HR in general, and PMS in particular (Gibb, 2001). Employees themselves may not be motivated to participate in the process, seeing this as an extra-role task, or just not be able to spend time due to time and work constraints imposed by regular work activities. HR practitioners and managers, therefore, rely on academic research to get a perspective on employees' perceptions, attitudes, and reactions. The trend in empirical research has been positive. Post-2000, HR reviews of PM research suggest that the published HR literature of the last decade (see Brown et al., 2019; Levy & Williams, 2004), has seen a preponderance of studies that have looked at employee attitudes or rate reaction toward PMS. The missing piece post-2015 comes as a surprise then. Our research filled this gap.

Our research was conducted within the context of the IT industry, where the work is mostly carried out as projects. The open-ended

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text responses indicated that this was a major concern for the IT employees in our sample. For example, one of the respondents noted, "Appraisal process is very good but when your supervisor doesn't have clarity on the work whatever you have done, then we are not going to get good rating and supervisor should be the person whom we directly work with, but that wont (sic) happen everywhere. Some manager who doesn't know anything … won't be [giving] good rating." HR managers, therefore, must keep the project management contingencies in mind, in designing the PMS for IT employees.

The results are relevant to HR practices across industries also. According to Knappert and Festing (2013), while the academic literature has extensively addressed reliability, validity, and freedom from bias in relation to PMS, there has been very limited work done on another key aspect, namely, practicality (Knappert & Festing, 2013). HR practitioners who are in charge of designing, implementing, and monitoring PMS are mainly concerned about practical issues related to organizational actors involved in the process being able to engage in effective conversations, whether formal or informal. Present data provides key insights to HR practitioners on how employees perceive things that the HR may not be able to see from its vantage point.

As stressed by DeNisi and Murphy (2017), the results need to be interpreted and internalized keeping in mind the contextual background. This study covers the IT industry, characterized by a volatile, uncertain, complex, and ambiguous business environment. In this industry, human capital is the most important contributor to sustainable competitive advantage and as such, the industry has been a pioneer in HR best practice. Therefore, we see the PMS being transformed to keep pace with increasingly more demanding performance expectations. At the same time, IT employee expectations of an "ideal" PMS are most likely to outpace the current changes in the PMS, which might perhaps explain the gap between what employees expect and what they currently see in the PMS. It is to be noted that this gap is the highest in regard to "career planning within the organization" which means that even in the new economy, employees still expect their employers to lead the way in terms of career development.

This article contributes to the special issue by specifically addressing the process and impact-related issues in PMS in the Indian IT MNEs. In terms of process, the article outlines the changes and advances made to the PMS dimensions and measurement instrument. The key contribution of the article, however, lies in empirically demonstrating employee perception with the PMS in the overall context of HR climate. This is important because, in the cacophony of management rhetoric on how the old bureaucratic PMS has been replaced by a new employee-centric PMS, there is a real danger of employee voice being lost. Accordingly, the research offers to academic scholars and practitioners, the employee perceptions of and satisfaction with the purposes and key dimensions of PMS and HR climate. By adopting an employee-focused approach to understanding HR-initiated policies and changes in PMSs in the IT industry, we provided data-backed meaningful insights to practitioners and researchers, so they may gain a fuller understanding of how the policies and practices are received by the employees.

7.2 | Limitations and directions for future research

The main limitation of this research is that it relies on cross-sectional data, therefore one can only speculate on the employees' prior levels of satisfaction and perceptions on the indices used in the present research. Future research can use longitudinal designs to tap the change. Also, due to the cross-sectional nature of the data, one cannot make causal arguments about the direct effects of revamped PMS on employee responses. In the absence of experimental data, future research can utilize path analytic structural equation models to assess the significance of the impact of variables on one another. Another limitation is the generalizability of the results. The participants came from India; employees may show differential preferences, for example, the "soft features" of the PMS depending on the country they come from (Chiang & Birtch, 2010; Cuccurullo, Aria, & Sarto, 2013). Cross-cultural studies can help validate the findings derived in the present research.

Using an inductive approach and the mix of qualitative and quantitative measures, the present research provides suggestive insights on areas that can be pursued for fuller inquiry in the future. For example, our results are indicative of the dynamic interplay of performance management practices with project-focused work prevalent in most knowledge-based technology organizations. Future research can unravel the distinct psychological mechanisms that govern employees' commitment to performance goals in such work environments. The insights would help HR practitioners and line managers in project-based organizations use performance management not only as an appraisal but also as a motivational tool. Also, present research tapped employee perceptions. Future research, using multi-source data, can specifically find points where HR assumptions are aligned—or misaligned—with employee perceptions and experiences. This would provide a more holistic assessment.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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