

**Performance and pay practices in German and Indian manufacturing companies**

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**Revised paper** [22nd Annual ANZAM Conference – 2008](#)  
2-5 December 2008 - Auckland, New Zealand, University of Auckland Business School

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### **ABSTRACT**

German manufacturing companies are expanding their operations to emerging industrial economies such as India. This paper focuses on pay and performance practices in German and Indian automobile manufacturing companies. The differences in perception of sixty four German managers and seventy seven Indian managers of these practices in their companies were explored. The results of the quantitative analysis of the relevant sections of the Best International Human Resource Practices Survey show no significant differences between performance appraisals and pay practices in these contexts. The only significant difference was on the question about pay practices that provide *recognition for long term results*. Further qualitative analyses noted several divergent perspectives as well as in the use of practices between the managers. A conclusion is that human resource practices are best when adapted to cultural and national differences.

Keywords: performance management, pay practices, human resource management, Best International Human Resource Practices Survey

### **INTRODUCTION**

Emerging economies such as India are already challenging the developed economies of the West such as Germany (Bergesen & Sonnet 2001) at a fast pace. Both the multinational companies and medium sized enterprises encounter the competitive power of the new industrialised economies in Asia (Verma, Kochan & Lansbury, 1995). The success of such ventures invariably depends on the people involved at the core of the processes (Pattanayak 2003), implying human resources in the home and host countries. Consequently, effective management and development of human resources become a critical success factor for globally operating firms in diverse cultural environments thus emphasising the significance of international human resource management.

There has been a notable increase in German organisations expanding their business operations to the Indian sub-continent during the previous decade. Many German companies responded to the liberalisation policy of the Indian government that supported foreign direct investment and promoted mutual trade (IGCC 2004). Germany now is India's fourth ranked trade partner due to such policies as well as the organisations' strategies to become globally operational. Besides other factors the role

of international human resource management (IHRM) is critical to the business success of multinational companies (Dowling & Welch 2004; Nankervis, Compton & Baird 2002). The contingency approach to international human resource management (IHRM) argues that practices should be appropriate to the context in which they occur (Dowling & Welch 2004).

Though many studies about human resource management (HRM) practices in either Germany or India can be found, most of these are country focussed (Geringer, Frayne & Millmann 2002). Comparative studies concerning these two culturally different countries and investigating similarities or differences between HRM practices are few (Palmke 2007; Palmke & Erwee 2008; Von Glinow, Drost & Teagarden 2002). The “Globe project” and “Best practices international HRM survey” are two comparable extensive studies (Von Glinow 1993; Geringer, et al 2002) about international human resource management practices, however, without explicit references to Indian and German companies.

This research aims to investigate certain HRM practices of German and Indian companies to understand how they manage their human resources

### **Theoretical framework of the “Best International HRM practices project”**

The “Best International HRM practices” (BIHRMP) project was an interdisciplinary research project conducted by a consortium of multinational researchers in a multicultural context. This research aimed to identify universally adopted best HRM practices taking contextual, cultural and organisational variables into account (Von Glinow et al 2002). The researchers compared HRM practices existing in North America under *emic* perspectives with HRM practices in nine other countries (Australia, Canada, China, Indonesia, Japan, Korea, Latin America, Mexico and Taiwan) and expected to find derived *etic* or best IHRM practices (Von Glinow et al 2002, p148). The theoretical framework of the BIHRMP is based on three international HRM related factors, namely a) the existence of similar IHRM practices in different countries, b) the understanding of the cultural context in which they are practised and c) if these practices are effective. One aim in the current study was to identify if there are practices that work across both cultures namely “etic” practices

(Teagarden & Von Glinow 1997). Another reason was to explore perceptions of human resource (HR) managers about current and future HRM which may indicate an 'emic' approach. Furthermore differences among HR managers and general managers, within and among the companies could highlight strategic alignment of HRM practices.

The BIHRMP project uses a survey questionnaire that not only includes *performance appraisal and pay practices*, but also other HR practices as well as a wider range of HRM domains such as leadership and communication that are not examined in this study. *Performance appraisals* are essential practices to develop and maintain an effective human resource pool (Dowling & Welch 2004). Yet, there are some inherent problems associated with them due to varying cultural and organizational characteristics. It may lead, for example, to distractions or frustrations of employees (Thomas & Bretz 1994). Or local unions in certain social and political environment may reject bench marking of employee performances and thus restrict managers from implementing effective performance appraisal systems.

Dowling and Welch (2004) point out that global compensation managers have to build a unified pattern of *compensation* as well as understand the complex local pay practices in diverse countries. Individual and group performances, personal skills and efforts, seniority and discretionary abilities are basic determinants of reward systems in Indian organisations. The role of seniority in pay decisions was researched in the "best international HRM project" (Von Glinow et al 2002). Seniority, in recent times, is observed to lose its importance in India and is valued mostly only in government organisations. The HR policies of Indian private sector organisations increasingly use monetary payments as remuneration (Palmke 2007). Germany has the constraint of collective bargaining and compliance to labour regulation. Most of the firms have to abide by the outcomes of collective bargaining thus leaving them with very little flexibility to implement performance based pay.

The current study included most sections of the BIHRMP questionnaire but due to ANZAM conference paper restrictions only the results for performance and pay practices are reported.

The current study aims to focus on using the relevant sections in the BIHRMP to derive comparisons between German and Indian manufacturing companies as the BIHRMP project (Geringer et al 2002; Drost, Frayne, Lowe, and Geringer 2002; Huo, Huang and Napier 2004; Von Glinow et al 2002) do not report comparisons between Germany and India, Germany now is India's fourth ranked trade partner and organisational context is seen as a key issue,. The proposition for this study is *“That the performance appraisals and pay practices in German and Indian manufacturing companies in the automobile industry do not differ”* The above proposition raise the following research issues namely a) what are the HRM practices and policies of selected German and Indian companies in terms of performance appraisals and pay practices, and b) what are the differences in perceptions of these practices among German and Indian managers?

## METHODOLOGY

**Sample:** A sample of 24 Indian and 24 German manufacturing companies in the automobile industry was selected from a population of about 600 firms on the registers of the relevant Government department of companies in each country (IGCC 2003). Most of these companies (92%) are from automobile manufacturers or associated sectors. The German respondents consisted of 27 HR managers and 37 general managers. The Indian sample are from different companies and consisted of 37 HR managers and 40 general managers. Eighty seven percent of Indian and 73 percent German respondents are male. Only 26 percent of Indian managers and 45 percent of the German managers were 40 years and below. Thirty one percent of the Indian managers and 19 percent of the German managers were above 51 years with the largest group of managers in the 41-50 years age group. More than 90 percent of the sample possessed an academic degree or equivalent qualification. Almost 40 percent of all managers have worked for more than 10 years, and 34 percent of Indian and 36 percent of German managers worked for 5 years. About 45 percent of managers interviewed were exclusively Human Resource (HR) managers with the rest being finance, production, marketing and sales and general managers.

**Questionnaire:** The primary data source was German and Indian managers' responses to sections of the “Best International Human Resource Practices Survey”

(BIHRMPS; Von Glinow, et al 2002). Demographic questions of the “Best International Human Resource Practices Survey” (BIHRMPS; Von Glinow, et al 2002) were adapted to reflect conditions in the Indian and German business environment. This adapted BIHRMPS questionnaire has two parts with Part **A** including *demographic factors* while Part **B**, contains questions about major HRM functions, fragmented in five sections – *hiring practices, training and development, performance appraisal, pay practices, and HR department*. For this paper only the results of the sections on performance appraisal (see 10 questions in Tables 1 and 2) and pay practices (see 10 questions in Tables 3 and 4) are discussed due to conference paper restrictions.

For each question referring to performance appraisal and pay practices respondents were requested to make two separate assessments on a 5-point Likert scale. One assessment for their perception about the current practices as they are practiced now in the organisation (“*is now*”) and a second assessment of how the respondent thinks the practices should be applied (“*should be*”). The range of 1 to 5 indicated the level of compliance of the respondents for a given question, for instance, “1” for ‘not at all’ to “5” for ‘to a very great extent’. The Cronbach Alpha value of the **BIHRMPS** for this study for *Performance appraisal* is 0.864 and for *Pay practices* it is 0.835.

**Process:** The initial response rate to the mailed version was low and it was decided to interview managers and to request them to fill the questionnaires during the interview. Though the cost was considerable, the completion during the interview and the second researcher’s language proficiency in Indian languages and German minimised survey errors. Where necessary second contacts (McDaniel & Gates 1999) which encourage the sample to respond, was also used. Data cleaning was done and the variables for performance appraisals were coded **PA1...PA11** and **PP1...PP10** for pay practices.

**Analysis** The mean values for the respective items were compared to interpret differences for the research issues. However, in cross-country studies, caution is recommended while drawing conclusions based on mean differences alone, because respondents in different cultures may use different frames of reference for assessing their work experience (Cox, Lobel & McLeod 1991). For this reason, the independent t-tests are not included instead the frequencies of ratings are evaluated to draw general

conclusions. Furthermore, to test significant differences of perceptions between the managers, Chi-Square tests within the cross-tab functions of SPSS were used.

*Limitations:* As in all cross-country studies, the language used is critical for reliable results. The management cadre in Germany had good English language proficiency but there were exceptions. In situations where the use of English was low, questionnaires in German were provided using the method of back translation. In the Indian context the working population has sound English language skills.

## RESULTS

The analysis is based on the responses to the “*is now*” columns of the adapted BIHRMP questionnaire. To examine the performance appraisal and pay practices the data of the two samples were analysed comparing the mean scores as well as using non-parametric Chi Square tests. The proposition for this study is “*That the performance appraisals and pay practices in German and Indian manufacturing companies in the automobile industry do not differ*”.

### **Performance appraisals – Indian and German managers**

The Chi Square values of the variables in Table 1 indicate that the differences in performance appraisal practices between the German and Indian managers are not significant.

Insert Table 1 about here

#### *Patterns of usage of performance appraisals*

Taking into account the cultural differences between India and Germany, a further analysis was performed to establish more subtle nuances in perceptions (see Table 2).

Insert Table 2 about here

With the exceptions of the variables (PA7) *discuss subordinate’s views* and (PA10) *allow subordinate’s to express feelings* in German case, the mean scores for all other

variables are close to or higher than 3.0, suggesting that all the companies implement one or the other form of performance appraisal systems.

The analysis suggests that *documentation* (PA2) and *recognition* (PA5) of employee performances are two of the primary purposes of performance appraisals. Likewise about 80 percent of Indian managers and over 85 percent of German managers use performance appraisals as tools to *identify strengths and weaknesses* (PA9) and to *evaluate goal achievements* (PA8) of employees in both countries. The analysis also confirms the relevance of performance appraisals in terms of *salary administration* (PA4) and *laying specific ways to improve performances* (PA6). Further, it is being used as an instrument to *plan development activities* (PA3), apparently more in Indian context. The relatively low scores of PA7-*discuss workers views* and PA10 - *allow workers to express feelings* suggest that both practices are not as established as the other nine. Finally, in terms of *determine pay* (PA1) and - *determine promotability* (PA11), the German managers apparently use performance appraisals more often to fix pay levels of employees, whereas their Indian peers consider these as more relevant to assess promotability and development of their subordinates.

### **Pay practices – differences between German and Indian managers**

The mean values of pay practices are noticeably lower than for performance appraisals in both countries. Table 3 displays the ratings frequencies and Chi square values for the individual variables and Table 4 exhibits the mean scores. Based on the Chi-square value 33.959 at 0.01 significant level (see table 3) for the variable PP4-*recognition for long term result*, it can be stated that there is a significant difference between Indian and German managers only in terms of this pay practice.

Insert table 3 about here

#### *Patterns of usage of pay practices*

The mean scores also do not reveal differences in pay practices. Except for *pay incentives being part of compensation strategy* (PP1), the values are at moderate level (below 3.0 see table 4) for all pay related activities in German companies as well as in



Indian companies, although some practices seem to be adopted more often in the latter. A key difference is in *seniority based pay decisions* (PP5).

Insert table 4 about here

While 74 percent of the Indian managers confirm the relevance of seniority, about 56 percent of the German managers note that seniority plays only a marginal role in pay decisions (see table 4). However the lower German score for *pay raises determined by job performance* (PP9) and *pay spread between low and high performers* (PP10) do not support this perception. Almost half of the German managers indicated that the pay practices do not differentiate high and low performances from and more than a third do not link pay raises with job performances. This ambivalence does not emerge in Indian companies. However, Indian managers support the existence of performance oriented HR practices, only to a moderate extent.

The low to moderate mean values of the remaining variables reflect a similarity in perception of pay practices. The scores for *earnings contingent to group performance* (PP3), *recognition for long term results* (PP4) and *futuristic orientation of pay systems* (PP8) confirm that in neither countries HR practices explicitly focus on promoting group performance or long term results. Two third of all managers in both countries perceive that their companies offer more to their employees than they are contractually obliged to – see *generous benefit packages* (PP7).

## DISCUSSION

The outcomes of the quantitative analyses do not indicate any significant differences for performance appraisal and only one significant difference for *recognition for long term results* in pay practices.

### Performance Appraisals

The quantitative analyses in this study did not find any major differences in perceptions about performance appraisals between German and Indian managers. The overall mean values disclose consistency of practices used by Indian and German companies, however at moderate levels.

Many researchers argue that performance appraisals are essential HR practices but acknowledge that there are inherent problems in establishing and implementing appropriate appraisal systems (Gomez-Mejia, Balkin & Cardy, 1995). In this study all the companies have implemented systems that are functional. The practices of the German and Indian companies support the notion that performance appraisals are used as a multi functional HR tool to document and develop employee performances as well as to administer pay and promotion related HR activities (Millimann, Nathan & Mohrman, 1991).

In terms of reward practices, the performance systems in the current study recognize goal achievements of the workforce (see also Milliman, Nason, Zhu & De Cieri, 2002). Performance appraisals are often used in individualistic cultures to determine promotability (Von Glinow & Lowe, 1998). Indian managers, less individualistic than Germans (Palmke 2007), tend to review the performance of individuals to determine their eventual promotability. The results of the survey confirm that these companies are using performance appraisals to assess pay levels as well as identify strengths and weaknesses of employees in order to plan career development and remedy under-performance through adequate training programmes. These findings confirm the links between performance management and human resource development found in Nankervis et. al (2002), Milliman et. al (2002), Saiyadain (2003), Erwee (2003), Palmke (2007). German managers use performance appraisals more extensively to evaluate current and future training needs of their employees (see also Nankervis & Leece, 1997). However Dowling and Welch (2004, p251) when referring to the BPHRMP project, pointed to the ‘failure of performance appraisal to fulfil its development purpose’ in most countries.

Further, performance appraisals in this study also fulfil some additional functions. For example, they act as a medium for employees to express their feelings and concerns to their immediate supervisors and to facilitate discussions between individuals and decision makers. In contrast other research proposed that high power distance cultures such as Asia and Latin America would not allow workers to express feelings (Milliman et. al 2002; Zhu & Dowling 1998). In this study lower scores were found for the cultural dimension- *power distance*- of India and Germany as well as on HR variables which represent participative management styles and employee involvement

(Palmke 2007). German managers, by the virtue of the persisting *co-determination* rights of employees within the framework of the German labour legislation (Muller, 1999), were expected to accommodate more employee participation. In contrast Indian managers have both higher frequencies and mean scores on the BIHRMPS.

### **Pay Practices**

The quantitative analyses in this study only found a significant difference in perceptions about one of the ten pay practices between German and Indian managers. However, further analyses among the four HR practices investigated by means of the BIHRMP questionnaire show that the scores or responses of managers to this section were relatively lower than the other domains. The majority of the managers perceive that their current compensation practices comply with a small or a moderate extent with the ten practices listed in the BIHRMPS.

Research suggests that pay structures and compensation forms vary between and within countries depending on their internal and external organisational context (Nankervis et. al 2002; DeNisi & Griffin, 2006). National culture and other factors would have an impact on employee preferences and company policies regarding compensation practices. Yet, the profiles of Indian and German companies do not differ significantly and this supports the BIHRMP research (von Glinow, et. al 2002).

One issue is the influence of the employee seniority in Indian firms. It may be linked to collectivist cultures where elders are treated with esteem and regards, immaterial of their personal and professional traits (Milliman et. al 2002; Palmke 2007) especially in the public sector (Worldbank, 2004; Eironline, 2001). Seniority in collective cultures could maintain group harmony (Abdullah & Gallagher, 1995; Zhu et. al 1998). However, most of the surveyed Indian companies operate in private sectors facing fierce competition like the German companies and yet adhere to this pay policy. Apparently, in German private organisations the seniority factor is almost disregarded.

The compensation strategies of the German and Indian companies support performance based pay practices to some extent. Although there is little evidence of merit based pay or profit sharing approaches, individual job performance tend to be

taken into account when establishing pay structure. This leads to differences in pay between high and low performers. Indian firms tend to have a relatively higher performance orientation and German as well as Indian managers prefer pay practices that foster individual and group performance (Palmke 2007). In contrast the BIHRMP research note the ‘lack of emphasis’ on pay incentives in individualistic countries (Von Glinow et. al 2002, p.152).

## **CONCLUSIONS AND RECOMMENDATIONS**

**Implications for theory.** A conclusion is that performance appraisals and pay practices do not differ significantly in the specific Indian and German automobile companies, and that their managers regard these HR practices as of key importance in both countries. The outcomes align with previous research such as “BIHRMP” that there are IHRM practices that can be regarded as ‘etic’ practices. It supports the contention that there are similar IHRM practices in different countries, and contributes to the understanding of the cultural context in which they are practised. However, it also highlights some unexpected outcomes in terms of the nuances in perception of such practices, namely an ‘emic’ trend.

**Implications for practice.** A practical implication is that as the organisations and their managers are using common performance appraisal and pay practices in a global industry such as the automobile industry. Another issue is that the managers could seem to be relatively complacent about the effectiveness of their IHRM practices and that they could ignore the potential to critically evaluate and improve their practices. In a booming Indian economy, companies may be under pressure to enhance their benefit packages to attract and maintain skilled workforce. However in the slower growing German economy, where chronic unemployment is evident in all levels of jobs and professions, managers cannot be complacent about performance appraisals or pay practices.

In both the German and Indian automobile industry employee benefits are relatively generous, but few of these managers concede that their benefit packages are generous or exceed industry benchmarks (Palmke 2007). Some German companies expend effort to sometimes circumvent the rigid labour legislation to gain more wage flexibility, but most are enmeshed in contractual obligations that dictate the terms of

salary, wages and other employee benefits. For example employers are obliged to pay additional Christmas pay (*Weihnachtsgeld*) to all employees and employees are entitled to 30 days paid holiday leave every year. Due to economic growth Indian companies not only create more jobs but also face a higher level of employee attrition. Several companies, specifically in the communication and information technology based industries are bound to offer attractive compensation packages above industry averages to retain their skilled workforce. Additionally, the influx of foreign firms, with better compensation practices stimulate domestic enterprises to follow suit.

**Future research:** A recommendation for future research is that more research with the BIHRM in German and Indian companies with larger sample sizes and in diverse industries should be initiated. In terms of the use of research methods Huo et al (2002) was aware of the potential systemic bias in the responses due to cultural differences, and advised that studies should not directly compare the averaged item scores across nations. Instead, within each national/regional sample a researcher can identify three items with the highest ratings.

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**Table 1. Frequencies and Chi-square values for performance appraisals**

BIHRMP Variables	German samples (N=64)		Indian samples (N=77)		Chi Square*	Significance level
	Group A f (%)	Group B f (%)	Group A f (%)	Group B f (%)		
<b>Performance Appraisals – “is now”</b>					$X^2$ (df)	
<b>PA1</b> – to determine appropriate pay level	56 (87.2)	8 (12.5)	55 (71.4)	22 (28.6)	7.960 (12)	0.809
<b>PA2</b> – to document subordinate’s performance	57 (89.1)	7 (10.9)	64 (83.1)	13 (16.9)	8.203 (12)	0.769
<b>PA3</b> – to plan development activities for subordinate	56 (87.2)	8 (12.5)	56 (72.7)	21 (27.3)	7.717 (12)	0.807
<b>PA4</b> – for salary administration	44 (68.7)	20 (31.3)	57 (74.0)	20 (26.0)	11.795 (16)	0.758
<b>PA5</b> – to recognize subordinate’s performance	57 (89.1)	7 (10.9)	68 (88.3)	9 (11.7)	10.294 (12)	0.590
<b>PA6</b> – to improve subordinate’s performances	46 (71.9)	18 (28.1)	55 (71.4)	22 (28.6)	3.897 (12)	0.985
<b>PA7</b> – to discuss subordinate’s views	34 (53.1)	30 (46.9)	51 (63.6)	26 (36.4)	11.191 (12)	0.513
<b>PA8</b> – to evaluate subordinate’s goal achievement	55 (85.9)	9 (14.1)	62 (80.5)	15 (19.6)	12.414 (16)	0.715
<b>PA9</b> – to identify subordinate’s strengths and weaknesses	57 (89.1)	7 (10.9)	61 (79.2)	16 (20.8)	9.466 (12)	0.633
<b>PA10</b> – to allow subordinate’s to express feelings	33 (51.6)	31 (48.4)	49 (63.6)	28 (36.4)	17.982 (16)	0.325
<b>PA11</b> – to determine subordinate’s promotability	51 (79.7)	13 (20.3)	68 (88.3)	9 (11.7)	19.466 (16)	0.245

\*p ≤ 0.05    \*\*p ≤ 0.01    none of the Chi square values are significant, hence no \* or \*\*

Group A = “moderate to very large extent”; Group B = “not at all to small extent”; Source: Palmke 2007

**Table 2. Mean scores of performance appraisal practices –“is now”** Source: Palmke 2007

HRM Variables Performance Appraisals –“is now”	German respondents (N=64)	Indian respondents (N=77)	Mean score difference
	Mean score (SD)	Mean score (SD)	
<b>PA1</b> – to determine appropriate pay level	3.47 (0.890)	3.01 (0.966)	0.46
<b>PA2</b> – to document subordinate’s performance	3.50 (0.836)	3.32 (0.993)	0.18
<b>PA3</b> – to plan development activities for subordinate	3.42 (0.851)	3.13 (1.018)	0.29
<b>PA4</b> – for salary administration	3.06 (1.022)	3.13 (1.068)	0.07
<b>PA5</b> – to recognize subordinate’s performance	3.55 (0.890)	3.43 (0.893)	0.12
<b>PA6</b> – to improve subordinate’s performances	2.95 (0.916)	3.04 (0.834)	0.09
<b>PA7</b> – to discuss subordinate’s views	2.59 (0.904)	2.95 (0.999)	0.36
<b>PA8</b> – to evaluate subordinate’s goal achievement	3.41 (0.886)	3.32 (0.952)	0.09
<b>PA9</b> – to identify subordinate’s strengths and weaknesses	3.44 (0.852)	3.23 (0.916)	0.21
<b>PA10</b> – to allow subordinate’s to express feelings	2.53 (0.942)	2.95 (0.985)	0.42
<b>PA11</b> – to determine subordinate’s promotability	3.14 (0.852)	3.32 (0.785)	0.18

**Table 3. Rating frequencies and Chi-square values for pay practices**

BIHRMP Variables Pay Practices – “is now”	German samples (N=64)		Indian samples (N=77)		Chi Square*	Significance level
	Group A f (%)	Group B f (%)	Group A f (%)	Group B f (%)		
PP1 – pay incentives are important part of compensation strategy of this organisation	45 (70.3)	19 (29.7)	49 (63.6)	28 (36.4)	14.353 (16)	0.572
PP2 – benefits are important part of total pay package	47 (73.4)	17 (26.6)	56 (72.7)	21 (27.3)	12.718 (16)	0.693
PP3 – employee earnings are contingent to group or organisation’s goal achievement	33 (51.6)	31 (48.4)	49 (63.6)	28 (36.4)	13.806 (16)	0.613
PP4 – pay policies recognize long term results more than short term results	34 (53.1)	30 (46.9)	50 (64.9)	27 (35.1)	<b>33.959</b> <b>(16)</b>	<b>0.006**</b>
PP5 – employee seniority enter pay decisions	28 (43.7)	36 (56.3)	57 (74.0)	20 (26.0)	13.719 (16)	0.620
PP6 – pay incentives are designed to provide a significant amount of employee earnings	34 (53.1)	30 (46.9)	47 (61.0)	30 (39.0)	19.908 (16)	0.224
PP7 – benefit packages are very generous	42 (65.6)	22 (34.4)	53 (68.8)	24 (31.2)	20.466 (16)	0.200
PP8 – pay systems have futuristic orientation	33 (51.6)	31 (48.4)	46 (59.7)	31 (40.3)	22.490 (16)	0.128
PP9 – pay raises are mainly determined by job performance	42 (65.6)	22 (34.4)	58 (75.3)	19 (24.7)	11.075 (16)	0.805
PP10 – there is large pay spread between low and high performers	34 (53.1)	30 (46.9)	59 (76.6)	18 (23.4)	12.827 (12)	0.382

\*p ≤ 0.05    \*\*p ≤ 0.01    Group A = “moderate to very large extent”; Group B = “not at all to small extent”  
Source: Palmke 2007

**Table 4. Mean scores of pay practices –“is now”** Source: Palmke 2007

HRM Variables Pay Practices –“is now”	German respondents (N=64)	Indian respondents (N=77)	Mean score difference
	Mean score (SD)	Mean score (SD)	
PP1 – pay incentives are important part of compensation strategy of this organisation	3.14 (1.067)	2.91 (1.161)	0.23
PP2 – benefits are important part of total pay package	2.94 (0.833)	3.19 (1.077)	0.25
PP3 – employee earnings are contingent to group or organisation’s goal achievement	2.86 (1.021)	2.84 (1.052)	0.02
PP4 – pay policies recognize long term results more than short term results	2.63 (0.951)	2.88 (0.986)	0.25
PP5 – employee seniority enter pay decisions	2.41 (1.003)	3.14 (0.996)	<b>0.73</b>
PP6 – pay incentives are designed to provide a significant amount of employee earnings	2.69 (1.002)	2.74 (1.031)	0.05
PP7 – benefit packages are very generous	2.89 (1.010)	2.81 (0.960)	0.08
PP8 – pay systems have futuristic orientation	2.56 (0.941)	2.66 (0.982)	0.10
PP9 – pay raises are mainly determined by job performance	2.97 (0.992)	3.23 (1.012)	0.26
PP10 – there is large pay spread between low and high performers	2.63 (0.826)	2.97 (0.903)	0.34



