

EVALUATING PERFORMANCE APPRAISAL SYSTEM TO IMPROVE EMPLOYEE PERFORMANCE IN MAJA HOUSE INDONESIA

Hasyim Siraj and Nur Arief Rahmatsyah Putranto

School of Business and Management, Institut Teknologi Bandung, Indonesia

Email: hasyim.siraj@sbm-itb.ac.id

Abstract. Within the globalisation with a competitive environment, human resource has become a necessity for the company to compete in this era. Performance management is part of human resource practices. A company needed a performance management system to support their employee work in the company. The objective of this research was to redesign an effective performance appraisal system in Maja House Indonesia. Primary data was collected using a questionnaire which was distributed to 44 employees in each department. Data were analysed using descriptive statistical, mean analysis techniques, and validate through an interview with the human resource manager of Maja House. The variable used to analyse the current system is from five measurements of ideal performance appraisal that consist of strategic congruence, viability, reliability, acceptability, and specificity. The output of this research gives a new appraisal system for Maja House to improve their performance appraisal system such as: develop new criteria of in appraisal form, develop a formal procedure, and use 360-degree evaluation to reduce the subjectivity of appraiser.

Keyword: Performance appraisal, Performance management, Hospitality, 360-degree evaluation

INTRODUCTION

Maja House Indonesia (MHI) is a company that moves in the hospitality industry such as hotel, restaurant, function hall and entertainment since May 8th, 2010. In the expansion of the business, there are several problems regarding human capital management in MHI. Based on a preliminary stud, the problem that Maja House face is employees feel unsatisfied with the current appraisal system because they feel they are doing well but not get the result as they expected. The current performance appraisal system in Maja House did not have formal procedure, clear criteria and tend to subjective in appraise employee performance. This situation will make employees who have performed well feel unfair and could lower productivity.

On this basis, the study addresses the following research questions: (1) How is the current performance appraisal system in Maja House Indonesia? (2) What can be improved from the current performance appraisal system?

LITERATURE REVIEW

The following sub-sections will specifically discuss the relevant theory that uses in this research. To understand this research, it is helpful to first refer to the broader concept of performance management. Performance management is defined as the process of appraising and managing employee's performance continuously by doing identification, measurement, and development of individual's and teams' performance also aligning the performance with organisation's goal (Dessler, 2015). Performance management is more than just measurement and evaluation, even though performance appraisal is still the central element of managing performance (Delaney & Huselid 1996)

According to Dessler (2015), performance appraisal is a systematic, general, and periodic process that assesses an employee's job performance and productivity with several methods. Some methods or techniques for appraising performance are:

- a) Graphics Rating Scale (GRS). According to (Dessler, 2015). GRS consists of lists of performance dimensions and a range of performance values for each aspect
- b) Behaviorally Anchored Rating Scales (BARS) method is a performance appraisal method that combines elements of the traditional rating scales, critical incidents, and quantified ratings by anchoring a quantified scale with a specific narrative in terms of asses employee's behaviour (Grote, 1996).

According to (Nyaga, 2017), there are five measurements of effective performance appraisal, below the list of effective performance appraisal. The first variable is strategic congruence (SC), strategic congruence is the degree to which a performance management system can yield job performance that is aligned with the organization's goals (Armstrong, 2009). The second variable is validity (VA), validity in the performance management system is concerned with whether the performance appraisal tool evaluates employee behaviour and output. A performance measurement instrument categorizes to be valid if it assesses all behaviours and outcomes that are charged by an employee (Armstrong, 2005).

The third variable is reliability (RE), reliability of performance appraisal is concerns how dependable or consistency levels of performance appraisal and the performance appraisal is free from the appraiser mistake. Reliability also measures the uniformity in performance evaluations result by different raters when they appraise the same employee, or when the same employee is an asset at different times by the same rater (Pulakos, 2004). The fourth variable is acceptability (AC), acceptability in performance appraisal system refers to how employees perceive the appropriateness and adequacy of the performance appraisal systems, which lead to positive or negative behavioural tendencies towards it (Mujtaba, 2006). The fifth variable is specificity (SP), specificity is the degree to which a performance management system provides information, guidance and direction on what output is expected from employees and how they can attain their goals (Armstrong, 2005).

METHODOLOGY

In data analysis, this research using descriptive statistical method is used to find out the results of the questionnaire, whether the results are good or not. The descriptive statistic gives simple summaries about the sample and the measures. In this case, the method of identifying using tools five measurements of good performance appraisal. The value used is the mean score of each variable. The mean score of 1-4 is categorized as "poor result," the value of 4.1-7 is categorized as "good result.". Mean analysis used to see the tendency of the data. If the results are good, the system will be retained. However, if the results tend to a poor result, the system will be improved. To validate the results of the questionnaire, the researcher uses qualitative methods by interviews. The interviewee in this study was the human resource manager in Maja House.

FINDINGS AND ARGUMENT

Analysis of the current condition of performance appraisal using questionnaire and interview, variables categorise to "good result" and "poor result". This summary in Table 1.1 will be used as an improving benchmark. The summary can be seen in table 1..

Table 1. Summary of the Results and Improvement

Variable	Mean	Result	Statement	Improvement
SC1	2.02	Poor	The current performance appraisal not related to work assignments.	Improve performance appraisal form to be related to work assignment and responsibilities
SC2	5.98	Good	The current performance appraisal was related to the technical competencies an employee must have	Keep the current practice
SC3	5.85	Good	The current performance appraisal systems were related to corporate values and culture	Keep the current practice
VA1	2.78	Poor	The current forms of performance appraisal forms are not practical and easy to use	Improve performance appraisal form and give a clear description to variable measure and explanation for each scale
VA2	2.85	Poor	The company didn't have formal procedures and clear instructions regarding performance appraisal systems	Make a formal procedure in conducting performance appraisal
VA3	2.93	Poor	The current performance appraisal didn't make employees more productive and achieving maximum results	Socialize what is the objective of performance appraisal and linked appraisal result to reward
RE1	6.37	Good	The current performance appraisal process is conducting in peaceful	Keep the current practice

RE2	5.46	Good	The current assessors have enough time to observe the performance of employees	Keep the current practice
RE3	2.9	Poor	The assessors are not objective in evaluating employee performance	Change the system with a 360-degree evaluation to decreasing subjectivity
RE4	3.93	Poor	The appraisers didn't have competence in conducting job appraisals	Giving training to appraiser how to use performance appraisal form and how to appraise performance in a good way
RE5	3.78	Poor	The assessment of employee performance is not measured properly and correctly	Giving specific measurement with making proportion and train appraiser how to document the appraisal result
AC1	3.27	Poor	The results of the performance appraisal didn't notify employees	Improve appraisal to open system. So, the result notified to the employee
AC2	6.17	Good	The current monitoring work, the assessor, always gives feedback for improvement	Keep the current practice
AC3	5.56	Good	The feedback from an appraiser is useful as a suggestion for employee improvement in doing work better	Keep the current practice
AC4	2.34	Good	The employees can discuss the performance targets to assessors and personal self-development	Provide a column to writing personal target and development
AC5	2.39	Good	The employees can give suggestions for improvements to the existing performance appraisal system	Provide an evaluation form to give improvement by the employee
AC6	2.76	Poor	The employees not allowed to submit a review of the results of performance appraisal	Provide an evaluation form for the employee to submit a review of the appraisal result
SP1	2.93	Poor	The performance appraisal does not explain clearly what is expected of employees	Give a clear description to variable measure and socialize company expectation to employee
SP2	6.39	Good	The employees know clearly how to achieve performance standards that are charged	Keep the current practice
SP3	3	Poor	The current performance appraisal is not influencing salary, award, career promotion or job rotation	Recommendation for linked performance appraisal result to influence salary, award, career promotion or job rotation

Improvement in Performance Appraisal Procedure

The improvement benchmarking with the data gathered and several theories in creating effective performance appraisal:

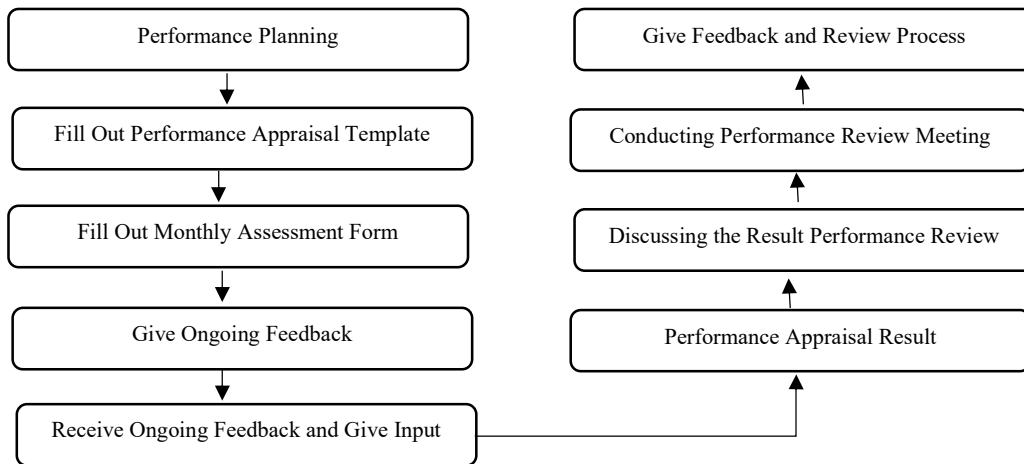


Figure 1. Appraisal Procedure

Firstly in performance planning, Maja House should define the purpose of performance appraisal and communicate to their employee why the performance appraisal is being conducted also define specific goals of the appraisal system. Performance planning is done at the beginning of each period. After performance planning is done and agreed by all parties, General Manager and Head of Department fill out performance appraisal template and discussed result expectation. Head of Department has the authorities of assessing the ongoing performance of their division subordinate. To get an objective result, monthly assessment form should be filled. In the review process ongoing feedback should be given in the performance appraisal period. Ongoing feedback is done informally and verbally to every employee. Head of Department should make sure that ongoing feedback is given in a manner that ensures felt-fairness. After feedback received given by their Head of Department, the employee should give employee input to the current system. Employee input should be done to ensure the objectiveness and comprehensiveness of the performance appraisal system.

A final formal appraisal is done by the Head of Department and Human Resources Manager. To appraise performance in the result-based, the steps that needed to be taken are (1) Accumulate all the data from monthly assessment form and calculate the data with the appraisal template that has been filled at the beginning of the period, compare the actual performance (monthly assessment) with the result criterion. (2) Fill out the behavioural graphic rating scale based on the observation done throughout the rating period. The result of appraisal should be discussed between the Human Resource Manager and Head of Department. This process is essential to validate the result of the appraisal.

CONCLUSIONS

Design a new performance appraisal system is essential to Maja House because the current system is not sharpening employee performance. The new design of appraisal, including appraisal form and system in conducting an appraisal. The new design defines the purpose of the appraisal, involving the employee in system design to provides acceptance to the system and increase cooperation, the form is also user-friendly and job-related and performance appraisal suggestion to link system performance ratings and organizational reward for better employee performance.

Recommendation

Based on a result that has obtained suggest Maja House improve the performance appraisal. First, Maja House should conduct training for their employee regarding the performance appraisal system. The employee should now the system and how to use the performance appraisal form. Second, Effective performance appraisal link system performance ratings and organizational rewards. The organizational reward must link greeter reward to supper job performance. Third, used 360-degree evaluation in the performance appraisal. The teammates can provide a perspective on their teammate performance. 360-degree evaluation as a new performance system can increase accuracy and fairness in the performance evaluation process.

REFERENCES

- Armstrong, M. & Baron A. (2005). *Managing Performance: Performance Management In Action*. London: CIPD.
- Dawson. (2002). *A Performance Management System: Research, Design, Introduction, and Evaluation*. *Compensation & Benefits Review*, 11(3), 56-70.
- Delaney & Huselid. (1996). The impact of human resource management practices on perceptions of organizational performance. *Academy of Management Journal*, 39(4), 949-969.
- Dessler, G. (2005). *Human Resource Management* (10th ed.). Upper Saddle River, NJ: Pearson Education Prentice Hall.
- Dessler, G. (2015). *Human Resource Management* (12th ed.). Harlow: Pearson Education Limited.
- Mangkunegara, A. P. (2005). *Manajemen sumber daya manusia perusahaan*. Bandung: PT. Rosdakarya.
- McClelland, A.C. (2000). *Human Motivation*. Glenview, IL: Scott.
- Nyaga, Panuel (2017). Influence of Performance Management System On the Performance of Public Institution: A Case Study Coast Provincial General Hospital. *European Journal of Business and Innovation Research*. The UK. Vol.4, No.6, pp.43-56.
- Pulakos. (2004). *Performance Management System*. Strategic Human Resources Management.
- Shields, J. (Ed.). (2016). *Managing Employee Performance and Reward: Concepts, Practices, Strategies*. Port Melbourne, Australia: Cambridge University Press.