

Unveiling the inefficient and Effective factors of Performance Appraisal system

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Abstract

In response to the phenomenon of less employee performance due to the ineffective appraisal system in the organization, there is a need to identify the determinants of low performance level of employees based on performance appraisal system of an organization. The purpose of this study is to identify the causes of inefficient performance appraisal system and suggest the solution to make effective appraisal system to enhance the performance of employees and organization. In this article four approaches are used. First, review the terms; performance appraisal, employee performance. Second, elaborate the determinants of employee performance based on performance appraisal system. Third, identify some causes of ineffective appraisal system. Fourth, provide some tactics for positive appraisal system to enhance the level of performance. The influencing factors of good appraisal system in an organization states that an appraisal system can make effective with suitable adjustments in the system of an organization.

Key words: performance appraisal system, employee performance, organizational performance.

Introduction

Employee is the only organizational resource which has ratio, feel, and intention that affect the organization's efforts in achieving goals because employee has a role as the driving force of all the resources owned organization. Therefore, employees will always be a benchmark in the management of the organization to consider any decision relating to salaries, with project work to be done, and also with social rules on which the organization was sheltering (Colquitt, 2001). In response, the idea that an employee in the workplace must be assessed is eminently reasonable. Among performance management practices, a performance appraisal system is one way to promote better organizational performance by reviewing individual task accomplishments (Roberts, 2003). Performance appraisal has widened as the concept of performance management implementation has been part of a strategic approach to integrating HR activities with the company's policy (Fletcher, 2010). Appraisal performance procedures potentially bring substantial benefits for both employees and the organization, where the feedback from

an appraisal can be referred by an employee to set goals that can be used by the employee and the organization as a tool to evaluate and improve their performance (Swanepoel, et al. 2014).

Performance appraisal includes the numerous interactions between supervisors and their subordinates (Giles et al., 1997; Nathan et al., 1991). Thus, an organization needs to harness positive employee perceptions of performance appraisal fairness as a means of coping with the antipathy on performance appraisal systems. We address this issue by drawing upon the social exchange theory (i.e., psychological contract theory), which captures employee perceptions on their employment relationship (CoyleShapiro & Kessler, 2003).

The purpose of performance appraisal by Palaiologos et al. (2011) is for administrative purposes (consideration of salary increases, bonuses, promotions, and recruitment and employee pension) and for the needs of development (increased competence as well as education and training considerations). Therefore, when it has impact on the compensation obtained, then an employee will take the job seriously and automatically increases employee satisfaction (Stringer et al, 2011). Supporting the statement, according to Poon (2004) when the value of the performance becomes a consideration in determining opportunities for administrative and development, the performance appraisal will affect employee satisfaction. Low satisfaction may have a negative impact on organizational commitment (Judge et al, 2001).

Then, we attempt to identify the key factors that drive the employees' perceived fairness of performance appraisal in U.S. federal agencies. Research has shown that employees' perceived psychological contract fulfillment affects employees' work attitudes and organizational behaviors (Bal, Chiaburu, & Jansen, 2010; Bal, de Cooman, & Mol, 2013; Castaing, 2006; Cho, Cheong, & Kim, 2009; Knights & Kennedy, 2005; Lemire & Rouillard, 2005). The purpose of this study is to review the effects of performance appraisal system on employee performance in an organization.

Literature review

Employee performance based on performance appraisal system

Performance is the willingness of a person or group of people to do something and refine activities in accordance with its responsibilities in order to obtain the expected results (Rivai & Basri, 2005) . Rivai & Basri (2005) added, the performance is basically determined by three things: the ability, desire, and the environment. Meanwhile, according to Dessler (2006) basically the employee's performance is more a function of training, communications, tools, and control rather than personal motivation.

Traditionally, much of the research on performance appraisal has focused on ways to eliminate rating errors and/or to improve accuracy (these are not the same goals, although they are related) . Much of the impetus for this focus has come from Industrial/Organizational psychologists who were initially concerned with appraisals primarily as the criterion variable in test validation. In this context, authors such as Dunnette (1963) were especially influential in calling for research to improve the reliability, validity, and accuracy of performance ratings, which would make them easier to predict (from a psychometric perspective) . But, even before the Dunnette paper, there were efforts aimed at improving the accuracy of ratings by eliminating certain types of rating errors such as halo error (Rudd, 1921; Thorndike, 1920) .

The way to measure the employee's contribution to the organization he worked for was by conducting performance appraisal (Bernardin & Russell, 1993). The performance appraisal refers to a formal and structural system used to measure, assess, and affect the properties associated with the work, behavior, and the results, including absenteeism (Rivai & Sagala, 2009). So that, a performance appraisal can encourages responsibility and accountability of employees (Flaniken, 2009).

Several researchers have asserted that appraisal reactions likely play a key role in the development of favorable job and organizational attitudes and enhance motivation to increase performance (Lawler 1994; Taylor et al. 1984. According to Beer (1987) many of the problems in PA stem from the appraisal system itself: the objectives it is intended to serve, the administrative system in which it is embedded, and the forms and procedures that make up the system . In addition, the performance system can be blamed if the criteria for evaluation are poor, the technique used is cumbersome, or the system is more form than substance . If the criteria used focus solely on activities rather than output (results), or on personality traits rather than performance, the evaluation may not be well received (PanandLi, 2006; Ivancevich, 2004). According to Wiese & Buckley (1998: 240), the main problem of this system is the need for a strong commitment from management and the time required to reorient the employees thought .

Determinants of Employee performance based on performance appraisal system

According to the research conducted by the Keeping & Levy (2000) employee satisfaction in the performance appraisal will affect the effectiveness of the performance appraisal itself . Employee performance may include satisfaction with the performance appraisal system, satisfaction with the implementation of performance appraisal, satisfaction with the perceived benefits of performance appraisal (Keeping & Levy, 2000), and satisfaction with the fairness and objectivity of performance appraisal (Keeping & Levy, 2000; Jawahar 2007; Cintron & Flaniken, 2011) . If employees believe that the performance appraisal process is already fairly applied, the employee is more likely to be satisfied and recognizes the performance evaluation results obtained, even the performance evaluation results despite unfavorable (Cintron & Flaniken, 2011) . Meanwhile, according to Ochoti, et.al (2012), efforts to increase employee satisfaction in the performance appraisal one of which is precisely to build an effective performance appraisal system that is relevant appraisal system, not bias, and not contains the political interests of the organization .

Causes of ineffective appraisal system

Unclear performance criteria/ineffective rating instrument

Employees in this research made it perfectly clear that appraising employee performance is destined to fail without having clearly established performance criteria by which to judge their performance . If ambiguity surrounds the job description, goals, traits and/or the behaviors that will be the basis for the evaluation the process is doomed to fail from the start .

Poor working relationship with your boss

Employees stated that one of the keys to an effective performance review is the trust and confidence that the employee has in the person conducting the review . While this is true in any evaluation setting, employees stressed that a poor working relationship with one's boss places a "cloud of credibility" over the entire rating process . If the working relationship is not based on trust, mutual respect, two-way communication and a shared sense of commitment to each other the management review process will lack credibility and effectiveness .

Superior lacks information on employees' actual performance

Employees in these focus groups discussed the fact that they were generally pursuing "multiple goals", "wearing a variety of hats" and "being asked to do more than ever" . In this environment those who evaluate employees are under extraordinary pressure to monitor employee performance on an ongoing basis to be in a position to know what their subordinates are actually doing .

Lack of ongoing performance feedback

Employees in this study frequently describe a review process that contained what might be described as "surprises". That is to say, negative feedback about their past performance that had been stored up for delivery during the review process. The problem with the surprise approach to the review process is that the employee being reviewed is thinking, "if it was that bad or important why didn't you say something when the problem occurred?" The rater's credibility is immediately called into question.

Ambivalence and Avoidance

Given the conflicts that are present in the performance appraisal process, it is not surprising that supervisors and subordinates are often ambivalent about participating in it. Supervisors are uncomfortable because their organizational role places them in the position of being both judge and jury. They must make decisions that affect people's careers and lives in significant ways.

Defensiveness and Resistance

The conflict between the organization's evaluation objectives and its coaching and development objectives tends to place the manager in the incompatible roles of judge and helper during the appraisal interview.

An ineffective link to reward systems

All of the organizations in this study used the formal appraisal process as a proposed vehicle to link employee performance to the rewards they would receive (pay for performance systems). These rewards focused primarily on merit increases in base salaries and performance bonuses, but could also include other perquisites.

Tactics for positive/effective performance appraisal system

1. For employee appraisals to be effective performance planning is critical and must be supported by an appropriate performance rating device.
2. Without a solid working relationship between the two parties the employee review process will be suspect.
3. Those who rate employee performance need to possess actual hands-on information of manager's actual contribution to the organization and how these results were achieved.
4. Ongoing performance feedback throughout the year makes for more effective employee performance and a more meaningful performance appraisal.
5. When raters of employee performance consistently practice overly negative and/or second-guessing reviews the subordinate manager's response will almost always be negative.
6. Uncoupling evaluation and development. Herbert Meyer and his associates have suggested that less defensiveness and an open dialogue result when the manager splits her or his role as helper from that as judge.
7. Separating evaluations of performance and potential. Current performance, as measured by the attainment of results, is not necessarily correlated with potential for promotion.
8. Choosing appropriate performance data. A manager can minimize defensiveness and avoidance by narrowly focusing feedback on specific behaviors or specific performance goals.
9. Upward appraisal. The appraisal dynamic that contributes most to defensiveness and/or avoidance is the authoritarian character of the supervisor-subordinate relationship.
10. Self-appraisal. Experience with self-appraisal suggests that it often results in lower ratings than the supervisor would have given.

Performance appraisal systems are more likely to influence firm performance when they are:

1. Integrated with other HR practices so that, together, they form a broader view of what constitutes a PMS
2. Consistently aligned with the achievement of the firm's strategic goals
3. Focused on behaviors that under the control of employees
4. Focused on behaviors that employees can see are related to achieve strategic goals
5. Work together to form a "strong" PMS

Such systems are strongest when they are:

1. Visible to all employees and salient to everyone (i.e. practices and policies are posted and reinforced frequently)

2. Associated with legitimate authority (i.e. practices and policies come down from the highest levels in the organization and persons at those levels are seen as legitimate)
3. Relevant (i.e. employees see how they can achieve personal goals that are aligned with strategic goals)
4. Stated and administered consistently (i.e. policy statements and related decisions made do not vary by the person involved)
4. Instrumental for goal attainment (i.e. employees can see how these policies can help them achieve personal and strategic goals)
5. Valid (i.e. the policies and practices reflect best practices)
6. Fair (i.e. the policies and practices are applied equally to all)

Conclusion and recommendations

This article based on previous research that explores the determinants and showed that performance appraisal system impacts on the employee's perception about firm, commitment level, trust, self-esteem, level of motivation, accomplishment of tasks, loyalty level, performance standards, relationship with peers, managers and upper management. Appraisal system also has an impact on organizations' overall performance; satisfaction of employees, bonuses management, rewards system and employee retention. With the importance of these outcomes there is a need to an organization, establish a good appraisal system. Further research can be done on the significance of determinants and provide more suggestions to regulate an effective appraisal system.

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