

## **DESIGN OF EMPLOYEE PERFORMANCE APPRAISAL IN PT MANTU**

Firda Herlina and Aurik Gustomo  
School of Business and Management  
Institut Teknologi Bandung, Indonesia  
firda.herlina@sbm-itb.ac.id

*Abstract. Performance appraisal is one of the important components in the rational and systematic process of human resources management. The Primary reason for having a performance appraisal program is to monitor employee's performance, motivate staff and improve the company morale. In PT Mantu, the monitoring employee performance requires routine is from the attendance there is still use manual attendance, which is accomplished through completing a performance appraisal form which call "Amano". The current performance appraisal system is not have the formal procedure so that the effect for the employees is perceived unfairness of the performance review during the performance appraisal process. This research is done using quantitative and qualitative data to know the employee performance appraisal system in current system and how to improve this system to the future in PT Mantu. The current employee performance appraisal system in PT Mantu cannot increase the employee performance and increase the employee productivity because the company not clearly criteria to appraise the employee performance. Not have the formal procedure to performance appraisal process. Not use the formal performance appraisal form. This research have the recommendation such as: design of performance appraisal, the criteria of employee performance appraisal system is, method of employee performance appraisal and period of employee performance appraisal.*

*Keywords: Employee Performance Appraisal, Performance Appraisal*

### **Introduction**

Performance appraisal is one of the important components in the rational and systematic process of human resources management. The information obtained through performance appraisal provide foundation for recruiting and selecting new hires, training and development of existing staff, and motivating and maintaining a quality work force by adequately and properly rewarding their performance. Without a reliable performance appraisal system a human resources management system falls apart, resulting in the total waste of the valuable human assets a company has. This is not to argue that there should be no formal mechanisms for evaluating performance but, rather it should be viewed as only one of a number of mechanisms for improving the quality of employee performance (Armstrong & Baron, 1998). Employee performance appraisal, whereby a superior evaluates and judges the work performance of subordinates, is one of the most common management practices utilized in the company. The widespread use of performance appraisal can be attributed to the belief by many managers and human resource professionals that performance appraisal is a critically needed tool for effective human resource management and performance improvement (Longenecker & Goff, 1992). The observation result indicate that the most important performance appraisal issue faced by the company is the current performance appraisal system is not have the formal procedure so that the effect for the employees is perceived unfairness of the performance review during the performance appraisal process. The design and structured of the performance appraisal system is important to employee and management and equal important to the actual appraisal interview. In the appraisal of

performance it is important to consider who will conduct the appraisal, what performance will be appraised and how and when it will be appraised (Fisher, 1994).

Based on the researcher observation and interview result with human resources manager PT Mantu faced the issue that the employee performance appraisal management in this company still use the informal procedure its means not referring to the standard rules. The current performance appraisal aspect in this company is from attendance and achievement. But in the real implementation this is still happened fraudulency of use the attendance form and control system is tend to subjective. So effect from this performance appraisal system is perceived unfairness between the employees. This problem not influences to the company target but it is more give impact to the employee satisfaction.

## **Literature Review**

### **Definition of Performance**

Performance is a manifestation of the success achieved by an employee on the job to achieve the goals set by the organization. Performance is strongly influenced by the policies put employers in the position of employees in accordance with its capabilities. Mangkunagara (2000: 67) defines that performance as a result of the quality and quantity of work achieved by an employee in performing their duties in accordance with the responsibilities given to him.

### **Definition of the Employee**

According to A.W. Widjaja (1995:15) in the book of personnel administration that the Employees are human labor, physical and spiritual (mental and mind), which is always needed and therefore became one of the principal capital in business entities working together to achieve certain goals of organization. Employees term implies the following:

1. Being a member of a cooperative effort of organization or company with a view to obtaining remuneration or compensation in exchange for services rendered.
2. Being in work systems that are straightforward or strings attached
3. Incorporated as a recipient of work and dealing with the employer.
4. Position as a recipient of labor is obtained after going through the admissions process.
5. When will face dismissal termination of employment between the employer with labor recipient.

### **Definition of Performance Appraisal**

According to Steers and Black (1994), "performance appraisal is one of the most important and often one of the most mishandled aspects of management". It has also been said to be one of the most problematic components of human resource management and is viewed as either a futile bureaucratic exercise or, worse, a destructive influence on the employee supervisor relationship (Coutts and Schneider, 2004).

### **Definition of Employee Performance**

According to Veithzal Rivai (2006: 309) says that "employee performance is a real behavior displayed by everyone as the resulting performance by employees in accordance with their role in the company". From some opinions on the above, it can be concluded that the employee's performance is a feat achieved by someone in carrying out the work in accordance with the standards and criteria set out to achieve organizational goals.

### The Purpose and Benefit of Performance Appraisal

Performance Appraisal by Werther and Davis (1996: 342) has several purposes and benefits for the organization or company and employees are assessed, namely:

1. Performance Improvement that allows employees and managers to take action related to improved performance.
2. Compensation adjustment helps the decision makers to determine anyone who is entitled to receive a raise or vice versa.
3. Placement decision determining promotion, transfer, and demotion.
4. Training and development needs to evaluate the need for training and development for employees so that they are more optimal performance.
5. Career planning and development guide for determining the types of careers and career potential that can be achieved.

### Factors That Affecting the performance

Factors that affect job performance for achievement or performance of individuals in the organization according to AA Anwar King Mangkunegara (2005: 16-17) are as follows:

#### 1) Individual Factors

Psychologically, the normal individual is an individual who has high integrity between psychic functions (spiritual) and physical (bodily). With their high integrity between the psychic and physical function, then the individual has good self concentrations. Good concentration is the main capital of individual human beings to be able to manage and utilize their potentials optimally in carrying out the activity or activities of daily work in achieving organizational goals.

#### 2) Organizations Environmental Factors

Environmental factors strongly support the organization's work for the individual in achieving performance. Organizations referred to environmental factors, among others, a clear job descriptions, adequate authority, targets challenging work, communication patterns work effectively, harmonious labor relations, respect and dynamic working environment, career opportunities and employment are relatively adequate facilities.

### Conceptual Framework of Employee Performance Appraisal

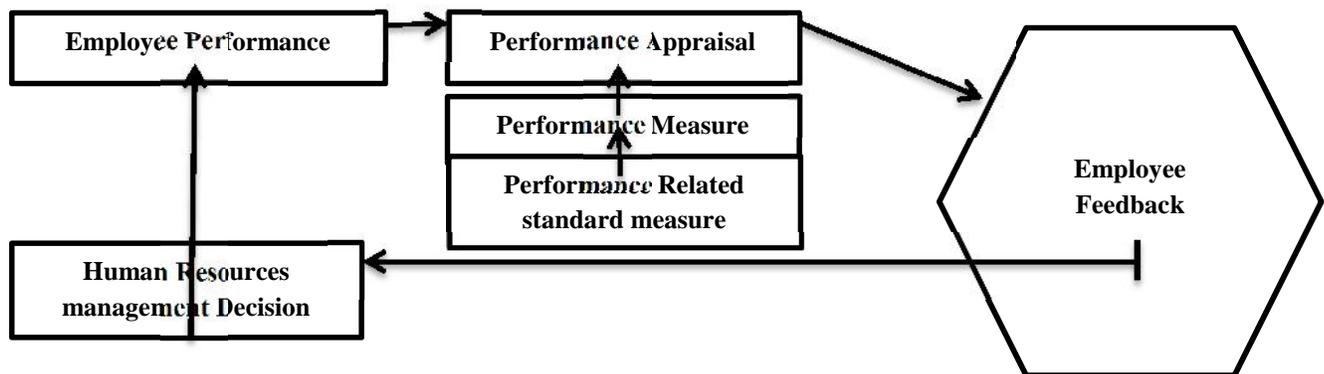


Figure 2.1 Conceptual Framework of Employee Performance Appraisal

### Methodology

This research is done using quantitative and qualitative data to know the employee performance appraisal system in current system and how to improve this system to the future in PT Mantu. In this

research used the Interview method with Human resource manager as a appraiser a subordinates in the company to know the employee performance appraisal process in current system .And use also questionnaire method to distribute to the employees as a appraised to know the implementation of employee performance appraisal system in PT Mantu. For the sample of questionnaire distribution is 95 respondent.

**Developing Research Instrument**

After doing literature review, the researcher develops the research instrument used questionnaire to assess the employee performance appraisal. The researcher used indicators of effective performance appraisal system according to (Noe, et al., 2003). The reason using indicators system of effective employee performance appraisal (Noe, et al., 2003) is because it is very useful some of the indicator measurement to employee performance appraisal.

Below are the indicators system of effective employee performance appraisal (Noe, et al., 2003)

- Variable Strategic Congruence
- Variable Validity
- Variable Reliability
- Variable Acceptability
- Variable Specificity

**Table 3.1 . The Indicators of Effective Performance Appraisal System (Noe, et al., 2003)**

No	Variable	Dimension
1	Strategic Congruence	<ul style="list-style-type: none"> <li>• Suitability appraisal instrument with the company goal</li> <li>• The value and culture of the company</li> <li>• The ability of system employee performance appraisal with company strategy</li> </ul>
2	Validity	<ul style="list-style-type: none"> <li>• A measure that indicates the appraisal instrument contains the relevant aspect from the employee performance and customized to achievement the performance</li> </ul>
3	Reliability	<ul style="list-style-type: none"> <li>• consistency of the instrument to use repeated</li> </ul>
4	Acceptability	<ul style="list-style-type: none"> <li>• Procedural Fairness</li> <li>• The levels of the employee satisfaction</li> <li>• Interpersonal Fairness</li> <li>• Outcome Fairness</li> </ul>
5	Specificity	<ul style="list-style-type: none"> <li>• Performance appraisal standard</li> </ul>

**Sampling Method**

The sampling method is used in this research is simple random sampling. Simple random sampling is a sampling procedure that assures each element in the population of an equal chance of being included in the sample. It is the basic technique sampling to select object from a large group or population. The population is a collection or aggregation of elements or individuals that are the source of information in a research (Sinaga, 1994). The population of this research is the employees in PT Mantu. The sample size that used based on the theory Slovin formula:

$$n = \frac{N}{1 + Ne^2}$$

n: Number of sample

N: Number of population

**Sample Size**

The number of population in PT Mantu is 1700. e: Limitation of tolerance errors

$$n = \frac{1700}{1 + 1700(0.1)^2} = 9$$

In this research the limitation of tolerance error is 0.1

**Data Analysis**

This is part of data processing and analysis:

1. Analysis of Current employee performance Appraisal Process  
Based on the interview and compare with questionnaire distribution , The result will analysis of current employee performance appraisal process in PT Mantu . The purpose is to know how to implementation the employee performance appraisal process in current system in PT Mantu.
2. Analysis of Improvement employee Performance Appraisal  
After the author analysis the current employee performance appraisal ,Consist of the variable that be indicators to effective employee performance appraisal ,the author will make the recommendation to improve the employee performance appraisal system in PT Mantu.

**Analysis**

**Current Employee Performance Appraisal Analysis**

No	Variable	Result	Statement
1	Strategic Congruence	Good result	<ul style="list-style-type: none"> <li>• This company was has a good company strategy, whereby the unit target support to the company target.</li> <li>• The employee performance related to their responsibilities and competency because that is support their job.</li> <li>• The values and culture of company was socialized well to the employee, so the employee can understand about it.</li> </ul>
2	Validity	Bad result	<ul style="list-style-type: none"> <li>• The current aspects of employees performance appraisal is just from attendance and achievement. And this is still use the manual attendance form, sometime still happened the fraudulency of the employee.</li> <li>• The current employee performance appraisal process cannot increasing the employee performance and employee productivity. Because the current of performance appraisal</li> </ul>

			aspects just from attendance and achievement. The employees perceived unfairness because nothing differentiation between the employee who work good or bad performance.
3	Reliability	Bad result	<ul style="list-style-type: none"> <li>• The current employee appraisal system in this company not use the formal procedure.</li> <li>• The current employee performance appraisal is not objective but tend to subjective, so the effect from that the employee perceived unfairness.</li> <li>• This company not have the employee performance appraisal form.</li> </ul>
4	Acceptability	Good result	<ul style="list-style-type: none"> <li>• The current employee performance appraisal result influences to the salary or bonuses, and the employee carrier.</li> <li>• The supervisor always give the feedback to the employee performance result.</li> <li>• The employee can discuss about their achievement and compliant of performance appraisal result.</li> </ul>
5	Specificity	Good result	<ul style="list-style-type: none"> <li>• This is all about the performance standard and how to achieve it. This company was explained about the performance standard should have by the employee.</li> </ul>

**Improvement Performance appraisal Criteria**

Based on the current performance appraisal criteria analysis above, that the performance appraisal criteria in PT Mantu is cannot increasing the employee performance. This research has recommendation to improve the performance appraisal criteria in PT Mantu as follows:

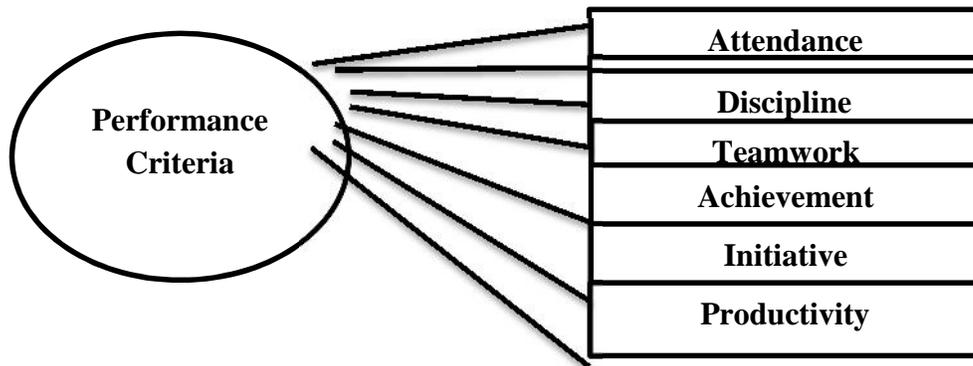


Figure 4.23 Improvement Performance Criteria

**Performance Appraisal Forms**

Based on the current performance appraisal system analysis above, can be known that the basis of performance appraisal process is from the attendance. Then, the attendance form also is still use the manual form. For this situation, PT Mantu is not has the formal procedure performance appraisal form. This research has recommendation to make the performance appraisal form which can use for the future system in PT Mantu.

Based on the Human resources Management Book (Dessler: 2010), the formal performance appraisal usually involves the use of a standard form developed by the human resources management to measure employee performance.

#### **Procedure of Employee Performance Appraisal Process**

Based on the Current performance appraisal analysis above, shows that the PT Mantu not used the formal procedure to measure the employee performance. So, this research have recommendation to improve the procedure of employee performance appraisal system which can used for the future system in PT Mantu as follow:

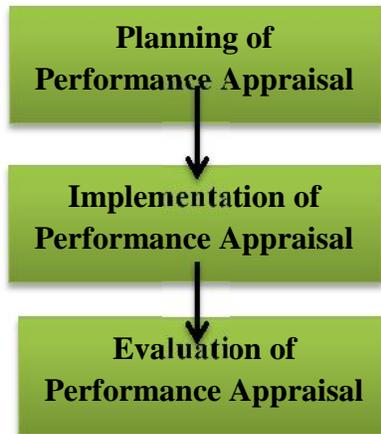


Figure 4.25 of Performance Appraisal Process

#### **Conclusion**

This research got the conclusion as Follows:

1. Problem
  - a. The current employee performance appraisal system in PT Mantu cannot increase the employee performance and increase the employee productivity because the company not clearly criteria to appraise the employee performance.
  - b. The current employee performance appraisal system in PT Mantu is not have the formal procedure to performance appraisal process.
  - c. The current performance appraisal system in PT Mantu is not use the formal performance appraisal form.
2. Design of Performance Appraisal

This research have the recommendation to improve the employee performance appraisal system in PT Mantu Lestari as follows:

  - a. The criteria of employee performance appraisal system is :
    - Attendance
    - Discipline
    - Teamwork
    - Achievement
    - Initiative
    - Productivity
  - b. Method of employee performance appraisal

The method is by the supervisor assessment, the supervisor is responsible to measure the employee performance. Because the supervisor which have control the employee performance. After the implementation of employee performance appraisal, the supervisor

should evaluation of resulting the performance appraisal. Performance evaluation usually performed regularly in a certain time.

c. Period of employee Performance appraisal

The evaluation resulting in PT Mantu will be inform and giving the feedback to the employee once a week.

### **Recommendation**

This research have recommendation to improve the performance appraisal system in PT Mantu as follows:

1. Start with effective performance planning

Planning is required to set the stage for effective appraisals. The majority of subordinates cited unclear performance standards as a cause of ineffective appraisals. Meaningful and accurate evaluation and feedback requires clear goals be established beforehand. Therefore a large part of the process should be devoted to determining what actions need to be taken in the future. It is harder to correct the results of poor planning than it is to plan correctly at the beginning.

2. Assess the effectiveness of the current system

What are the intended functions of the current system? Recall that in what do performance appraisals accomplish?, managers and subordinates agreed that the system uphold some functions while falling short in other functions. Additionally, supervisor and subordinates have different needs. Identify them, and construct a questionnaire to assess the degree to which org members perceive the process to be effective. Only then is the company in position to develop a strategy to address shortcomings.

3. Make sure supervisor and subordinates understand the appraisal system

The appraisal system should be explicitly described specific to the purpose of the appraisal. Organizations that clearly state the purpose for the appraisal reduce the confusion and ambiguity of the process. The goal should be that everyone knows why you are conducting appraisals. Think of it as purpose and procedure training.

### **References**

- AA. Anwar Prabu Mangkunegara, 2005, Human Resource Management Company, 16-17, Bandung
- Armstrong, A. Baron, 1998, Performance Management: The New Realities, London: IPD
- Bonar, M. 2000. Unpublished report to the U.S. Fish and Wildlife Service documenting a trapping survey for Preble's Meadow Jumping Mice along Sand Creek and habitat assessments for two other drainages along Woodmen Road, El Paso County, Colorado.
- Bourne, M.; Neely, A.; Platts, K.; Mills, J., (2002). "The Success and Failure of Performance Measurement Initiatives: Perceptions of Participating Managers", International Journal of Operations & Production Management, 22(11), 1288-1310.
- Bower, G.H. and Springston, F. (1970). Pauses as recording points in letter series. Journal of Experimental Psychology, 83, 421-30.
- Briscoe, D. & Schuler, R. (2004). International Human Resource Management: Policy and Practice for the Global Enterprise
- Burgelman, R. A. (1983). A model of the interaction of strategic behavior, corporate context, and the concept of strategy. Academy of Management Review, 8, 61-70.
- Burgelman, R. A. (1984). Designs for corporate entrepreneurship in established firms. California Management Review, 3, 154-166.
- Coughlan, P.; Coughlan, D., 2002, "Action Research for Operations Management", International Journal of Operations & Production Management, 22(2), 220-240.
- Cyert, R. M. & March, J. G. (1963). A behavioral theory of the firm. Englewood Cliffs, NJ: Prentice-Hall.

- (Church, 1985). Action Research for Operations Management", International Journal of Operations & Production Management.
- (Coutts and Schneider, 2004), Performance appraisal system, 109-123.
- Daniels, R.C.; Burns, N.D., 1997, "A Framework for Proactive Performance Measurement System Introduction", International Journal of Operations & Production Management, 17(1), 100-116.
- Franco-Santos, M.; Kennerley, M.; Micheli, P.; Martinez, V.; Mason, S.; Marr, B.; Gray, D.; Neely, A., 2007, "Towards a Definition of a Business Performance Measurement System", International Journal of Operations & Production Management, 27(8), 784-801.
- Gregory, M. J., 1993, "Integrated Performance Measurement: a Review of Current Practice and Emerging Trends", International Journal of Operations & Production Management, 30(1), 281-296.
- (Hogg, C., 1998) Proactive Performance Measurement System Introduction", International Journal of Operations & Production Management, 17(1), 100-116.
- Kennerley, M.; Neely, A., 2002, "A Framework of the Factors Affecting the Evolution of Performance Measurement Systems", International Journal of Operations & Production Management, 22(11), 1222-1245.
- Larsen, S.A., Sandra, A., et al., (1990) A manual of tests of syphilis. American Public Health Association, Washington DC, 1-192
- Lau, C. M., & Moser, A. (2008), Behavioral Effects of Nonfinancial Performance Measures, Behavioral Research in Accounting, Volume 20, Issue 2, pages 55-71
- Laurence S. Fink, Clinton Oliver Longenecker, (1998) "Training as a performance appraisal improvement
- Lebas, M. J., 1995, "Performance Measurement and Performance Management", International Journal of Production Economics, 41(1-3), 23-35.
- Mahmudi. 2005. Public Sector Performance Management. Yogyakarta : UPP AMP YKPN
- Maisel, L.S., "Performance measurement: the balanced scorecard approach", Journal of Cost Management, Vol. 6 No. 2, 1992, pp. 47-52.
- Medori, D.; Steple D., 2000, "A Framework for Auditing and Enhancing Performance Measurement Systems", International Journal of Operations & Production Management, 20(5), 520-533.
- Neely, A., 1999, "The Performance Measurement Revolution: Why Now and What Next?", International Journal of Operations & Production Management, 19(2), 205-228.
- Neely, A.; Mills, J.; Platts, K.; Richards, H.; Gregory, M.; Bourne, M.; Kennerly, M.. 2000, "Performance Measurement System Design: Developing and Testing a Process-Based Approach", International Journal of Operations & Production Management, 20(10), 1119-1145.
- Nunnally, J.C. Psychometric theory. McGraw-Hill, New York; 2002.
- R. Tanenhaus 2002, 'A Performance Measurement System' \ Performance Measurement and Management: Research and Action, ed.
- R. V. Krejcie and D. W. Morgan, "Determining Sample Size for Research Activities," Educational and Psychological Measurement, Vol. 30, ... 1970, pp. 607-610.
- Santos, S. P.; Belton, V.; Howick, S., 2002, "Adding Value to Performance Measurement by Using System Dynamics and Multicriteria Analysis", International Journal of Operations & Production Management, 22(11), 1246-1272.
- Sekaran, S. (2003). Research Methods for Business: A Skill Building Approach. NJ: John Wiley & Sons, Inc
- Steers and Black (1994), International Journal of Operations & Production Management,
- Vakkuri, J.; Meklin, P., 2006, "Ambiguity in Performance Measurement: A Theoretical Approach to Organisational Uses of Performance Measurement", Financial Accountability & Management, 22(3), 235-250.