

EVALUATION OF PERFORMANCE APPRAISAL IN PT. XYZ

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ABSTRACT

Managing employee's performance is imperative and it cannot be done if the employee's potential and their ability to perform are not measured. Performance appraisal is a management tool that tries to count the employee's performance. The term performance appraisal refers to the process by which an individual's work performance is assessed. Research objective is to evaluate the performance appraisal in PT. XYZ. Performance appraisal is a process in which organizations evaluate or assess employee performance. Performance appraisals are employed to determine who needs what training, and who will be promoted, demoted, retained, or fired. Populations of this research are employee of PT X with 6 respondents. Sample of this research is the employees of PT. XYZ in East Dumoga stock point. Result, the implementation of performance appraisal in PT. XYZ is goes well. It can be seen by employees' positive perception. Although, performance appraisal in PT. XYZ still need some improvement to minimize possibility of error by giving employee a direct access to their performance appraisal result and develop a formal procedure in order to accommodate employee to appeal appraisal result that they consider inaccurate or unfair.

Keywords: *human resource management, performance appraisal*

INTRODUCTION**Research Background**

Human resource has a very important role in organization or company has. In the company, human resource acts as movers. Similar with vehicle move because machine, that how the relationship between the company with its human resources in it. Human resources act as a determinant and driving force of company. Regardless of how advanced the technology today, human resource factor still plays an important role for the success of a company. Because of that, human resources should receive top priority in its management so that the utilization will fit with company's expectation. Due to the importance of employees to the company, the process that associated with employee is taken care specifically. Starting from recruiting the capable employees in their field then provides the necessary tools and resources, including the ongoing comprehensive training so that employees can continue to develop the competencies and produce the best performance in their each respective work field.

Business environment changing rapidly, competition between companies became intensify. The employees become a significant factor in any organization since they are the heart of the company. Effectiveness of company is very dependent on human resources in it. Therefore, company demand the employees able to show their optimal performance, as good or bad performance achieved by employees will affect the performance and success of the company as a whole. Performance is considered as a significant measure, which is associated with the organizational outcomes and success (Wall et al. 2004). Performance also can be defined as the result of activities of an individual over a given period of time. Managing employee's performance is necessary for achieving goals that an organization has for itself.

Through performance appraisal mechanisms, company will know how well their employee has performed the duties assigned to them. Employee performance appraisal can also be used by companies to determine the shortcomings and potential of an employee. That enables companies to identify training needs analysis and planning. From these results, the company can develop a complete human resource planning for their employees. Performance appraisal takes into account the employee's past performance and focuses on the improvement of the future performance of the employees. Performance appraisal is also closely linked to other HRD function, like helps to identify the training and development needs, promotions, demotions, changes in the compensation etc. A feedback communicated in a positive manner in order way to motivate the employees and helps employee to identify individual career development plans. Through the evaluation result, employees can develop their career goals, achieve new levels of competencies and chart their career progression. Performance appraisal help encourages employees to strengthen their strengths and overcome their weaknesses.

PT. XYZ is a distribution company established in 1964 in Tangerang city. PT. XYZ has its head office in Jakarta. Continues to develop regional distribution in Asia and Europe countries and one of the largest distribution companies in Indonesia and has spread across major cities in Indonesia. PT. XYZ is distribution company that distribute instant noodle, baby food product, soft drink, milk, soap and others. Performance appraisal also is a tool that can encourage employees to work better and more passionate in doing his job. If used well, performance appraisal tool that is an Influential Organizations have to organize and coordinate the power of every employee of the organization towards the achievement of its strategic goals (Grote, 2002). By looking at that fact, performance appraisal conducted by PT. XYZ should be done effectively, not subjective, have a clear standard and fair so that neither party feels aggrieved. Performance appraisal is a sensitive thing in the company.

From the above conceptual background, the authors intend to research about how PT. XYZ assessing employee performance. Performance appraisal is a tool that can encourage employees to work better and more passionate in doing their job.

Research Objective

The objective of this research is to evaluate the performance appraisal system in PT. XYZ.

THEORITICAL FRAMEWORK

Theories

Human resource management

Human resource Management is the process of acquiring, training, appraising, and compensating employees, and of attending to their labor relations, health, safety, and fairness concern (Dessler, 2011:30). The purpose of human resource management is the effective labor supply for the organization to achieve its goals. In the process of achieving its goal, the human resources management learns how to acquire, develop, evaluate, and maintain good human resources in the right amount. HRM succeed if they can provide a competent workforce in their respectively field or in simple word is putting the right man in the right place.

Human resources management function

Mondy et al (1993:5), in the running of an organization that there are six functional areas associated with effective human resource management.

1. Human resource planning, recruitment and selection is the process systematically reviewing human resource requirements to ensure that the required number of employees, with the required skills, are available when needed.
2. Human resource development helps individuals, group, and the entire organization become more effective. Include career planning and performance appraisal.
3. Compensation and benefits is compensation system provides employees with adequate and equitable reward for their contribution to meeting organizational goals.
4. Safety and health involves protecting employees from injuries caused by work-related accident and the employees' freedom from illness and their general physical and mental well-being.

5. Employee and labor relation refer to how organization make a strong commitment to its employee and labor by willingly create a freely communicative and open environment in organization.
6. Human resource research is the whole process that related to human resource in organization that may involve every HRM function.

Performance appraisal

Mondy et al (1993:191), performance appraisal is formal system of periodic review and evaluation of an individual's job performance. Primary goal of an appraisal system is to improve performance, a system that are properly design and communicated help achieve organizational objectives and motivates employee performance. Performance appraisal also always assumes that the employee understood what his or her performance standard were, and that the supervisor also provides the employee with the feedback, development, and incentives required to help the person to eliminate performance deficiencies or to continue to perform above par.

Performance appraisal purpose

Dessler (2011:334), there are four purpose of appraise employees' performance.

1. From practical point of view, as an indicator for most employers to set base pay and promotional decisions for employees.
2. The appraisal informs the boss and subordinate to develop a plan for correcting deficiencies and to reinforce the thing that subordinate does right.
3. Appraisal should serve as a useful career planning purpose. They provide opportunity to review employee's career plans in light of his or her exhibited strength and weakness.
4. Performance appraisal plays an integral role in the employers' performance management process. Performance management is the continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning their performance with the organization's goals.

Step in appraising performance

Dessler (2011:315), there are three steps to conduct effective performance appraisal.

1. Define employee's job and performance criteria, means making sure that the superior and subordinate agree on his or her duties and job standard on the appraisal method that will be used.
2. Appraising performance refers to measuring the subordinate's actual performance to the standard. This step involves some rating form that used in performance appraisal process.
3. Feedback, an effective appraisal requires a feedback session. In this session, the supervisor and subordinates discuss his or her performance and progress, and make plans for any development required.

Performance appraisal method

Mondy et al (1993:493), various methodologies used for appraising employee's performance which are Graphic rating scales, alternation ranking method, paired comparison method, forced distribution method, critical incident method, behaviorally anchored rating scales, management by objective, computerized and web based performance appraisal, electronic performance monitoring.

Potential performance appraisal problem

Performance appraisal still susceptible encountered error. (Mondy et al, 1993:416) there are five potential errors in performance appraisal.

1. Unclear standards refer to appraisal that is too open to interpretation or ambiguous.
2. Halo effect, the problem that occurs when a supervisor's rating of a subordinate on one trait biases the rating of that person on other traits. Halo error occurs when the elevator perceives one factor as having paramount importance and gives a good or bad overall rating to an employee based on this one factor.
3. Central tendency, is a tendency to rate all employees the same way, such as rating them all average. Some rating scale systems require the elevator to justify in writing extremely high or extremely low ratings.
4. Strictness/leniency, problem that occurs when a supervisor has tendency to rate all subordinates either high or low. These actions are often motivated by a desire to avoid controversy over appraisal. Strictness typically occurs when managers do not have an accurate definition of the various evaluation factors. While leniency is usually more prevalent than strictness, some managers apply an evaluation more rigorously than the company standard.

5. Bias, performance appraisals may have biases related differences such as age, race, and sex to affect the appraisal ratings employees receive. The bottom line is that the appraisal often says more about the appraiser than about the appraiser.

Characteristics of effective appraisal system

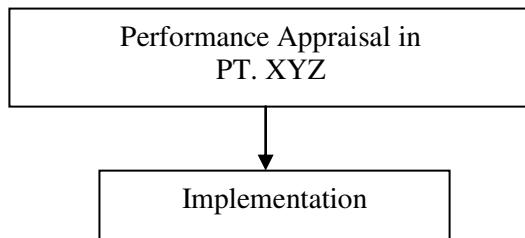
An effective appraisal system has seven characteristic (Mondy et al, 1993:418).

1. Job related criteria, is the criteria used for appraising employee performance must be job related. More specifically, job information should be determined through job analysis. Subjective factors, such as initiative, enthusiasm, loyalty, and cooperation are obviously important. However, they virtually defy definition and measurement. Unless factors such as these can be clearly shown to the job related, they should not be used in formal evaluations.
2. Performance expectation, manager must clearly explain performance expectations to their subordinates in advance of the appraisal period. Otherwise, it is not reasonable to evaluate employees using criteria that they know nothing about.
3. Standardization, employees in the same job category under the same supervisor should be appraised using the same evaluation instrument. In addition, the appraisals should cover similar period of time. Feedback sessions and appraisal interviews should be regularly scheduled for all employees.
4. Qualified appraisers, responsibility for evaluating employee performance should be assigned to the individual, or individuals, who directly observe at least a representative sample of job performance. Usually, this person is the employee's immediate supervisor. In order to ensure consistency, appraisers must be well trained. Training should emphasize that performance appraisal is a significant component of every manager's job.
5. Open communication, most employees have a strong need to know how well they are performing. A good appraisal system provides highly desired feedback on a continuing basis. The system permits HR professionals to take proactive measures, such as providing training or transfer to salvage those who are not performing satisfactorily.
6. Employee access to result, for many appraisal systems that are designed to improve performance, withholding appraisal result would be unthinkable. Employees simply could not perform better without having access to this information. Also, permitting employees to review appraisal result allows them to detect any errors that may have been made. Or the employee may simply disagree with the evaluation and may want to challenge it formally.
7. Due process, in connection with a formal challenge, ensuring sue process is vital. A formal procedure should be developed-if one does not exist-to permit employees to appeal appraisal result that they consider inaccurate or unfair. They must have a procedure for pursuing grievances and having them addressed objectively.

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Previous research

Naik (2006), evaluate performance appraisal in APSRTC and found APSRTC performance appraisal reports are used as a threatening tool that causes frustration to employee. Dargham (2008), studied effective management of the performance appraisal process in Lebanon and found the most common types of the performance appraisal employed in the Lebanese firms are the graphic rating scale and the management by objectives, employees are asked to complete a self-assessment before the feedback session. Boachie & Seidu (2012), found employees' perception of performance appraisal system is negative, the system affected by subjectivity, and influenced by some major errors. Daoanis (2012), sought performance appraisal system implication to employee performance with result performance appraisal system of the company has brought positive and negative impact on the employee's performance.

**Figure 1. Conceptual Framework**

Source: Theoretical review

RESEARCH METHOD

Type of research

This research is based on collecting the interviewer's opinion and arguments using qualitative approach that will generalize the data collection and use descriptive method in writing the report. The purpose is to analyze the respondents' point of view and statement or opinion about the phenomenon. The goal of this research is to analyze the performance appraisal in PT. XYZ.

Place and time of research

The research is taken place in PT. XYZ stock point in East Dumoga, Bolang Mongondow region. The research conduct in July 2013.

Population and sample

The population that is mainly observed in this research is the employees and the person who in charge of conducting performance appraisal in PT.XYZ in East Dumoga stock point. The interviewees of study are supervisor, sales, administration officer, warehouse officer, helper, and driver. The total employee is 6 including the supervisor. The interview ends when the information given has too many repetition and are totally unrelated. Also when the researcher feels the information given meet the requirements for advance analysis.

Data collection method

Sekaran and Bougie (2009:186) explained one method of collecting data is to interview respondents to obtain information on the issues of interest. Interview is a useful data collection method, especially during the exploratory stages of research. Interview made directly to supervisor and employees that involve in performance appraisal. Observation also used to collecting data in this method. Whereas interviews got elicit responses from the subjects, it is possible to gather data without asking questions of respondents. People can be observed in their natural work environment and their activities and behaviors to other items of interest can be noted and recorded.

Data analysis method

Marshaal and Rossman in Mekel (2012) present detailed data analysis techniques for data analysis process. They explain the several steps that should be done in qualitative research analysis, such as: organizing data, grouping based on categories, examining the assumption with the data, seeking for the alternative explanations of data, and writing the result of research.

RESULT AND DISSCUSSION

Performance appraisal in PT. XYZ

Performance appraisal in PT. XYZ arranged by human resource department in Jakarta implemented to all branch offices. Branch office does not have human resource department. Thus, all activities related to human resources, including performance appraisal is governed directly by the head office. Implementation of the performance appraisal conducted every month by supervisors. In assessing performance of its employees, the main valuation method used by PT. XYZ is management by objective (MBO) method that combined with

Narrative appraisal method. Management by objectives (MBO) is a method of performance appraisal achievement-oriented work. MBO is used to evaluate sales performance. While the narrative form used to assess employee's performance.

Indicators that used to assess employees are different depending on the type of job. The result of evaluation is sent directly by the supervisor to the human resource department in head office. The evaluation result is processed into employee personal performance track record. The supervisor's performance appraisal result is strictly confidential. The results are known only by the supervisor and human resource department. The primary purpose PT. XYZ conduct performance appraisal is to evaluate employee performance and monitor their performance from time to time. And measure how much the employee has contributed to the company. Purposes of Performance Appraisal in PT. XYZ, namely:

1. Internal Employee Relations

In PT. XYZ, every employee Performance Appraisal data is used for employee performance track record. These employee track records are used for decision in several areas of internal employee relation, including promotion, demotion and layoff.

2. Compensation

The employee performance track record is used by as a basis for decisions regarding salary increases. The outstanding job performance rewarded with salary raises. Through performance appraisal, PT. XYZ encourages the employee to perform good performance.

Standard of performance appraisal

1. Criteria

Performance appraisals conducted by PT. XYZ involve some kind of criteria. Criteria used to assess employees will vary depending on the job type. There are 2 type criteria involved which are job related criteria and behavioral based criteria.

Job related criteria

- a) Sales, assessed on achievement of individual sales targets, how many outlets addition marketing skill, and how well they maintain a good relationship with outlet.
- b) Driver, appraise by precision in delivery of goods, on time delivery, and how well the employee maintains outlet satisfaction.
- c) Helper, evaluated by time precision, number precision, and product precision in preparing product that ordered by outlet.
- d) Warehouse officer, evaluated by time precision, number precision, product precision and warehouse management. Including control the movement and storage of materials within a warehouse and process the associated transactions, including delivering, receiving, put away and picking.
- e) Administration officer, evaluated by job knowledge, time precision in making report, mail and any other administrative document.
- f) Supervisor, evaluated from the accumulation of subordinate performance. Specifically for Supervisor that involved in sales, they are evaluated from sales target achievement and debt control. Debt control is how well sales supervisor manage the outlet payment. Because the product is not paid at the time the product being dropped in outlet.

Behavioral based criteria

Behavioral based criteria include five factors below.

- a) Attendance, employee's discipline in complying work hour is one small part of the work ethic development process, and quality of work of the employees themselves. This factor can be measured by the accumulation of employee attendance per month. Absenteeism is used as one factor to give reward and punishment. Attendance is one big point for formulating employee salaries.
- b) Work habit, the manner in which an employee conducts his or herself in the working environment.
- c) Motivation is a person's internal disposition to be concerned with and approach positive incentives and avoid negative incentives. Motivation also can be define as a Degree to which the employee pursues goals with commitment and takes pride in accomplishment.
- d) Initiatives, the extent to which an employee effectively and enthusiastically accomplishes assignments with minimal supervision.
- e) Learning ability, define as ability to absorb new information and apply it effectively.

2. Performance expectation

Before evaluation process, supervisors have clearly explained about the performance expectation to all theirs subordinate. Performance expectation in the form of individual sales target that determine by supervisor, job based criteria appraisal and evaluation by behavioral which are Attendance, Work Habit, Motivation, Initiatives, Learning Ability. And also supervisor expected employee to work hard, have positive attitude, self-confidence, and demonstrates maturity during work.

3. Standardization

Employees in the same job category under same supervisor are appraised using same evaluation method. Job related criteria and behavior based criteria are indicator of evaluation. The appraisal using narrative method and for salesman, there are individual sales target as an added evaluation.

4. Appraiser

Performance appraisal in PT. XYZ is conducted by supervisor. Supervisors have a responsibility as a team leader as well as an appraiser. Supervisor conduct supportive work function that is responsible for the quality, productivity and organizational effectiveness. Supervisor is the person that masters the job knowledge in their each respective field, has performance above the average with a perfect track record, passes fit and proper test to become a supervisor and has got special training as a supervisor.

5. Communication

Performance Appraisal's feedback aims to minimizing employees' perceptions of uncertainty. The Feedback is conducted by Supervisor performed in two way interview with employee. In the interview process, Supervisor identifies achievements and also identifies any areas that need for improvement. This interview aims at providing a solution rather than outlining the problem. Supervisor provides a constructive feedback to the employee which will motivate employee to perform better.

6. Access to result

Employees do not have direct access to the results of the Performance Appraisal evaluation. A performance appraisal result in PT. XYZ is strictly confidential. The evaluation result is sent directly via email to the human resources department in head office by supervisor. It aims to maintain objectivity, minimize the intervention of other parties and to maintain a good relationship between the supervisors and subordinate. Performance appraisal will affect differently to each employee depends on how the person reacts to the result. Especially, when got a negative result. If the person takes positively, that negative performance appraisal result can mean a process for development. If the person takes negatively, performance appraisal negative result can mean Supervisor dislike to the employee. It can cause an uncomfortable atmosphere. Relationship between the employee and the Supervisor could be disrupted. Based on that reason, the performance appraisal result is strictly confidential. Human resource department will conduct discussions via phone with a supervisor if there are certain things that should be discussed regarding the performance of the employee. Employees only get information about the performance of the feedback session by the supervisor.

7. Due process

PT. XYZ does not provide a procedure for employees to do objections regarding the assessment that done by the supervisor. Employees do not have direct access to the results of the evaluation.

Evaluation of performance appraisal

1. Criteria

The criteria that used by PT. XYZ in performance appraisal is very job related. This is proved by criteria that used to evaluate employee's performance is adjusted according to job type. Even though, sales achievement is also affect indirectly in performance appraisal. Besides job related criteria evaluation, there also employee behavior evaluation. The indicators of behavior evaluation that used in performance appraisal are attendance, work habit, motivation, initiatives, and learning ability. These indicators are good. It clear and covers the basic characteristic that worker should have.

2. Performance expectation

Performance expectation is very important. It is not reasonable hoping employee to show the best but without expectation. According to interview result PT. XYZ is very clear in conveying the performance expectation to its employees. Manager clearly explains performance expectation to their subordinate form the first day the employee work. So there is no excuse regarding unclear performance expectation. Besides inform about the performance appraisal criteria, manager also gives some expectations which are work hard, have positive attitude, have self-confidence, and demonstrates maturity during work. These expectations word could give a positive effect to employee. Which tell the employee to show the best.

3. Standardization

Standardization of performance appraisal in PT. XYZ is already good enough. All employees are treated equal in performance appraisal. Nobody gets special treatment in performance appraisal. Employees in the same job category under the same supervisor appraised using the same evaluation instrument and Indicators. All employees evaluated once a month and have feedback session after evaluated. This standard is applied in every branch of PT. XYZ from headquarters until the stock point in sub district.

4. Qualified appraiser

The selecting of supervisor in PT. XYZ is already good. In PT. XYZ responsibility for evaluating performance is assigned to immediate supervisor. People who fill supervisor position are having a good track record in their own field, have enough experience and should pass the supervisor position test. They also got well trained in appraising performance. Supervisor has a very important role in performance appraisal. Because of that reason, the company should well prepared their supervisor. PT. XYZ knows the important role of supervisor in performance appraisal process. This can be seen in how well PT. XYZ selecting and preparing the supervisor.

5. Communication

Performance appraisal communication in PT. XYZ is already good. Company knows about the important of giving information regarding employee's result. Because most employees have a strong need to know how well they are performing and withholding the performance appraisal result information will cause a setback in managing employee's performance. Performance appraisal in PT. XYZ provides feedback after supervisor finish with the evaluation. Supervisor as the important role in performance appraisal also take responsible in giving feedback to his or her subordinate. According to interview result, most of the employee feel satisfied with the way supervisor handle the feedback. Company did well in selecting and equipped the person that fills supervisor position.

6. Access to result

The main point of performance appraisal is designed to improve employee's performance. after performance appraisal period is over, employee could know how well they work, what point should be maintain, and what point should be improve. PT. XYZ not gives employee access to their performance appraisal result. The result is strictly confidential. Even so, giving employee a direct access to the result will prevent some misunderstanding that might occur regarding performance appraisal result. Also, permitting employees to review appraisal result allows them to detect any errors that may have been made. Or the employee may simply disagree with the evaluation and may want to challenge it formally.

7. Due process

Due process regarding performance appraisal result is not provided in PT. XYZ. It happens because employee does not have direct access to performance appraisal result. This is not so good in achieving effective performance appraisal because if supervisor did a mistake in evaluating employee's performance, employee could not do anything about it. Not providing a formal procedure to appeal appraisal result can be consider unfair to employee.

CONCLUSION AND RECOMMENDATION

Conclusion

Based on the research and discussion that has been stated previously, the author can draw the following conclusion.

1. In overall, performance appraisal system that implemented in PT. XYZ is good. The method that used is narrative form. In narrative method rater describe in writing each employee's strengths, weaknesses and sometimes some happening event. Even though its time consuming but using narrative method supervisor can deeply describe the evaluation better than just using a scale number. The performance appraisal is held once a month which is very good because the company can observe employee's performance better. Supervisor that responsible in conducting performance appraisal also selected and equipped well. Performance appraisal implementation on field is happen as it should be. All employees evaluated using same standard. The criteria that used in evaluating performance are very related to each job type. Performance appraisal ended with feedback session that carried by supervisor in a positive manner which make employee fell comfortable and encourage them to do better in future.
2. Although in overall performance appraisal in PT. XYZ is good. But it still lacking in some area that need to be fix. The implementation of performance appraisal is done well by supervisor. And according from interview with employees, there is no one ever encountered problem or feel wronged regarding their performance appraisal during they worked in PT. XYZ. Even with their past supervisors. But withholding the performance appraisal result or not giving a direct access to employee to see their result could lead to problem in the future. Performance appraisal problem might occur when supervisor not conducting performance appraisal in proper way. Even though supervisors are people with good track record, pass the difficult test, and equipped well, supervisor still a human that might make mistake in evaluating performance. Either unintentional mistakes or intentional. Bias, halo effect, strictness/leniency, and central tendency are the potential errors that might occur in performance appraisal. Because of PT. XYZ does not giving its employee a direct access to performance appraisal result, due process of performance appraisal is not exist. There is not such formal procedure to appeal appraisal result that they consider inaccurate or unfair.

Recommendation

This research is conducted in the hope of reaching the goal of usefulness. Despite of the valuable knowledge regarding performance appraisal, the usefulness of this research is to be used practically by PT. XYZ. Based on the findings, there are several recommendations proposed to the company.

1. PT. XYZ should reconsider about giving the employee a direct access to their performance appraisal result. Giving employee a direct access to their result it will give chance for employees to review their appraisal result and allows them to detect any errors that may have been made.
2. PT. XYZ should create a due process of performance appraisal. A formal procedure should be developed in order to accommodate employee to appeal appraisal result that they consider inaccurate or unfair. By creating this formal procedure, it will make supervisor more careful in conducting performance appraisal.
3. Scheduled continuous training for appraiser should be held in order to deepening supervisor's understanding about performance appraisal and to minimize error in conducting performance appraisal.

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