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## Why Does Employee Choose Participatory Performance Measurement?

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**Keywords:** **Abstract**

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measurement, self-  
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*The aim of this research is to investigate why employee choose participatory performance measurement. Munandar (2015) states that employee prefer participatory performance measurement in doing a self-asessment. Beside that, empirical research has shown that participatory performance measurement is an effective performance evaluation system (Roberts, 2003). Furthermore, Islam and Shuib (2005) argued that employee involvement in measures formulation results fair and unbiased measurement. Data collection in this research is using semi structured interview. The sampling method applied here is convenience sampling. Based on interview, the answers for why employee chooses participatory performance measurement is they know how their performance measured. Employee will be more satisfied if they know measures and how measures is aggregated. Another reason for choosing participatory measurement performance is external recognition. Employee will be more satisfied if they get external recognition because employee perceive that external recognition is better than internal recognition.*

**Kata kunci:** **Abstrak**

pengukuran kinerja  
secara  
partisipatoris,  
evaluasi diri,  
kepuasan karyawan,  
pengakuan eksternal

*Tujuan dari penelitian ini adalah untuk menyelidiki mengapa karyawan memilih pengukuran kinerja secara partisipatoris. Munandar (2015) mengemukakan bahwa karyawan lebih menyukai pengukuran kinerja secara partisipatoris dalam melakukan penilaian evaluasi diri. Di samping itu, penelitian empiris telah menunjukkan bahwa pengukuran kinerja secara partisipatoris adalah sistem evaluasi kinerja yang efektif (Roberts, 2003). Selanjutnya, Islam dan Shuib (2005) berpendapat bahwa keterlibatan karyawan dalam pengukuran hasil dari formula penilaian adalah cukup baik dan tidak bias. Pengumpulan data dalam penelitian ini menggunakan wawancara semi terstruktur. Metode sampling yang digunakan adalah convenience sampling. Berdasarkan wawancara, jawaban mengapa pekerja memilih pengukuran kinerja secara partisipatoris adalah mereka mengetahui bagaimana kinerja mereka diukur. Karyawan akan lebih puas bila mereka mengetahui pengukurannya dan bagaimana pengukuran itu disimpulkan. Alasan lain untuk memilih pengukuran kinerja secara partisipatoris adalah pengakuan eksternal. Karyawan akan lebih puas bila mereka mendapatkan pengakuan secara eksternal sebab karyawan berpendapat bahwa pengakuan eksternal lebih baik daripada pengakuan internal.*

## Introduction

Employee satisfaction is essential for creating business success. When the level of employee satisfaction is low, turnover of employee is high (Gregory, 2011; in Sagayarani, 2013). High turnover is a major threat to business continuity, especially for companies that place employees as a major and significant asset. Therefore, management should maintain employee satisfaction, especially in high-tech industries.

Research of Babakus et.al (1996) successfully investigated that employee satisfaction is influenced by equity compensation. As we know that employee compensation is computed using performance measurement system. Islam and Shuib (2005) stated that the performance evaluation system has two main objectives, first, measuring employee remuneration which based on the contribution of employee to the company's goals, and second, identifying, once the objectives have not been achieved, a plan of action to achieve it at a later date will be taken. Therefore, the performance evaluation system plays an important role in determining the fairness of compensation and employee satisfaction.

Roberts (2003) argued that participatory performance measurement is

an effective performance evaluation system. Employee involvement in formulating measures that used in performance evaluation increases fair and unbiased subordinate perception (Islam and Shuib 2005) and an acceptance of a result of subordinate evaluation.

On the other hand, empirical research has also shown that self-assessment increases the perception of fairness of the process of performance evaluation. McCarthy (2000) stated that employees who are given the opportunity to assess its performance independently will perceive that they were evaluated comprehensively. As a result, self-assessment makes employees more satisfied because subordinate perceived that all dimensions of performance has been included in the measurement form. Moreover, employees also perceived that its performance has been measured fairly.

Although both approaches improve the effectiveness of performance measurement, no studies examine which type of performance measurement preferred by employee satisfaction. Therefore, this paper will use in-depth investigation to reveal the reasons of employees for choosing type of performance measurement, so that policy makers or management considers the research findings, in an attempt to increase satisfaction of

employees and to decrease level of employee turn over.

This paper will start by displaying the literature review which followed by the research methodology undertaken to carry out the research objectives, and finally will introduce the reader to the findings followed by the recommended suggestions to improve the employee satisfaction.

## **Literature Review**

### **Participatory Performance Measurement**

Participatory performance measurement provides employees with the opportunity to propose measures of performance impact on improving relations between employees and employer. Participatory performance measurement provides every employees with idea and voices so employees are motivated to rebut rating and present feedback which employees disagree with. Jordan (1992) stated participatory performance measurement reduces the tension between the evaluator and the employees (rater-ratee tension). Roberts (2003) suggested that participatory performance measurement could mitigate some of disfunction of traditional performance measurement and increase more humane and ethical decision making.

Somerick (1993) also suggested that management should held dialogue sessions between employees and management to design performance measures and how to aggregate the results of the evaluation. Islam and Shuib (2005) stated that the employee involvement in formulating measures result the perception of employees that they are evaluated equitably and not biased. Furthermore, this condition increases employee satisfaction.

Roberts (2003) stated that employee participation in formulate measures increases intrinsic motivation that facilitate employee development and growth. If employees perceive the measurement of performance is fair, they will be comfortable with measurement process and accept performance rating.

On the other hand, many critics has been addressed on this measurement such as involvement of personal experience and pseudo-participation. Experience of every employees will affect significantly their voices on performance measurement. Furthermore, If enterprise punishes employees for their disagreeing and negative feedback, employee participation will reduced (pseudo-participation).

### **Self-Assessment**

Self assesment provides every employees the opportunity to asses their

performance individually (Roberts, 2003). Islam and Shuib (2005) stated that sometimes employees comment on existing performance measurement system is not effective because it has not accommodated hidden dimension of subordinate performance. Therefore, the employees often hope to get opportunity to explain their performance and what dimensions should be corrected themselves.

Employees perceive that they are source of information so that they have better assessment in performance (information asymmetry) than management. Self-assessment is an effective performance measurement tool because accommodate all dimensions of performance of the subordinate. When employees perceived that performance measurement is perfect, subordinate (employees) will be satisfied because their performance is measured effectively and they will get fair compensation. Various studies have explained that the self-assessment (self-evaluation) increase employee satisfaction and fairness perceptions. Furthermore, defensive behavior of employees will decrease (Roberts, 1992).

Some studies indicate that self evaluation enhances employee satisfaction, increases perceived measurement fairness, and increases preparation and readiness of employee for evaluation interview (Roberts,

2003). Self assessment is done by completion of employees on their own appraisal draft and presenting to manager for discussion. On other hand, self assesment could be done by reviewing manager's evaluation.

Critic on this measurement causes high tension between rater (manager) and ratee (employee). Some employees frequently disagree with manager rating and then produces high tension discussion. Furthermore, manager is senior and employee is junior. For that, employees are reluctant to present their disagreeing and negative feedback, employee voices will then reduced (pseudo-agreement).

## **Research Method**

### **Research Objectives and Paper Contribution**

In an attempt to increase employee satisfaction, series of researches have to shed the light upon the troubles performance measurement, so that such problems are to be solved. This paper is amongst the early researches undertaken in increasing employee satisfaction.

## **Methodology**

In an attempt to reach the research aims, we conduct in-depth interview to 30 employee in Jakarta; 20 employees in private university and 10 employees in

industries. Dey (1993) said data saturation will be normal after conducting 12 interviews which might suffice the study at hand.

The researcher conducts a qualitative research methodology rather than a quantitative research because this paper has an exploratory research direction and as Dey (1993) explained that the more ambiguous and elastic the concepts are, the less possible it is to quantify the data in meaningful way. This research investigates the reasons of employee in choosing type performance measurement.

## Discussion

Based on interview, 15 employees in university and 10 employees in industries choose participatory performance measurement. The reasons for choosing participatory performance are they know how their performance measured and external recognition. Respondents (employees) will be more satisfied because they know measures and how measures is computed. Besides that, employees also more satisfied if they are appreciated by other people (manager).

## Understand How Their Performance Measured

Employee will be more satisfied if they know measures and how measures is

aggregated. Islam and Shuib (2005) stated that employee involvement in formulating measures that used in performance evaluation increases fair and unbiased subordinate perception. Beside that, involvement of employee in measures formulation increases the acceptance of a result of evaluation of subordinate.

Most of script of interview answer state that,

*“My satisfaction is greater when i know measures and how measures rating is aggregated than i dont know measures and formula to combine result”*

This result consistent with Roberts (2003), employee involvement in measures formulation increases intrinsic motivation that facilitate employee development and growth. Furthermore, involvement of employees will increase fair perception on performance measurement. For that, they will be comfortable with measurement result and measurement process. Participation of employees in goal-setting and measures formulation makes them consider the objectives and measures as fair and achievable. Also, the involvement of employees in performance increase employee satisfaction.

This result also in line with Munandar (2015), Using the Mann-Whitney U test, study results indicated that satisfaction

difference between participatory performance measurement and self assesment is significance. The conclusion of Munandar (2015) based on statistic result and descriptive analysis below which indicated that most employee prefer participatory performance measurement to self-assessment.

**Table 1**  
**Result of Descriptif Analysis**

	Self Assesment	Participatory Performance
N	17	17
Average	3.2941	4.2471
Std. Deviation	.37495	.16627

Source: Munandar (2015)

Based on descriptive analysis above, 17 respondents more satisfied if their performance measurement is evaluated using participation appraisal measurement. Their average satisfaction is 3.2941, and deviation standar is .37495. On the other hand, 17 respondents less satisfied if their performance measurement is evaluated using self assesment. Their average satisfaction is 4.2471, and deviation standar is .16627.

**Table 2**  
**Result of Result of Mann-Whitney U test**

	Satisfaction
Mann-Whitney U	.000
Wilcoxon W	153.000
Z	-5.037-
Asymp. Sig. (2-tailed)	.000
Exact Sig. [2*(1-tailed Sig.)]	.000

Source: Munandar (2015)

Based on result above, Munandar (2015) indicated that z-value was -5.037. The value of its probability is less than 0.05. For that, the result of research showed that statistically significant differences job satisfaction between self assesment and participatory performance.

Latham (1981) indicated that participatory performance measurement provides cognitive and affective benefits. Cognitive benefits, participant (employees) will elaborate some ideas to affect measures formulation. Affective benefits, employees are empowered to enhance worker growth and development.

Participatory performance measurement increases quality and quantity performance evaluation information. Assumption in participation performance measurement is employees posses valid and relevant information that is unavailable and ubsorvable by principal (manager). Furthermore, employee posses more information than employer (asymetric information).

### External Recognition

How to choose employee recognition system is crucial problems because it impacts on employees loyalty on their organization. Performance measurement should be supportive in line with the corporate goal and objective. Beside that,

reward system should reduce interdepartmental differences (Rizwan et al, 1992). The right recognition and reward could encourage employee's performance and create sense of belonging.

Most respondents choose participatory measurement performance because of external recognition. Employee will be more satisfied if they get external recognition because employee perceive that external recognition is better than internal recognition. Beside that, external recognition is more independent than internal recognition.

When employee performance measured using self assesment, rating is decided themselves. For that, employee satisfaction is low. When employee performance measured using participatory performance measurement, result is decided by outside party (evaluator). For that, employee satisfaction is high. Script of answer of interview as below,

*"Using participatory performance measurement, we are more satisfied because our result is apreciated by outside (evaluator/ manager)."*

The recognition (acknowledgment) from outside (manager) is need by employees as stated by Maslow's theory. Honor and acknowledgement is important component for employee satisfaction. Maurer (2001) stated that success of

organization associates with satisfaction of employee, through respect and honor.

As literature stated that recognition for employee are effective elements of hiring and retaining agency talent. Employee satisfaction could diminishes because deficiency in recognition and rewarding. External recognition given by others affirming employees, who are showing pride in their work.

### Recommendations

Based on research findings, management should uses participatory performance measurement to evaluate and compensate employee performance. The first reasons is employee will be more satisfied if they know measures and how measures is aggregated. Beside that, employee involvement in formulating increases fair and unbiased subordinat perception and increases the acceptance of a result of evaluation of subordinate.

The second reason is participatory measurement performance results external recognition. Employee will be more satisfied if they get score from external because employee perceive that external score is better than internal score. Furthermore, external recognition is more independent than internal recognition.

Recommendations in future research are greater sample size. This research only interviewed 30 respondents, next research should increase sample size and sampling method. Besides that, forthcoming research should be conducted beyond Jakarta.

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