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**THE PROCESS OF PERFORMANCE APPRAISAL TO
IMPROVE EMPLOYEE'S SATISFACTION AT COMPANY XYZ**

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**A research project submitted in fulfilment of the requirements for the
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DECLARATION

“I declare that this research project ‘THE PROCESS OF PERFORMANCE APPRAISAL TO IMPROVE EMPLOYEE’S SATISFACTION AT COMPANY XYZ’ is the result of my own research except as cited in the references”.

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*Especially dedicated to my family, friends and companion for the endless support
and understanding*

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ABSTRACT

The purpose of this study is to investigate the process of performance appraisal within Company XYZ. Another aim was to find out the exactly time for conducting performance appraisal. The method used in this research is qualitative approaches where is the researcher was conducted several interviews to the selected employees within that company that has been chosen before. Techniques that require are interview, observation and relevant documentations. The informants chosen were divided into two groups which are expertise informant and key informants. The findings are, there are five steps conducted in performance appraisal which are Individual Performance Review, Individual Performance Financial, Performance Improvement Program and Individual Development Plan. Other than that this system was conducted in early of year, mid-year and end of the year. For further studies choose the company which is in the other field not in oil and gas field and also conduct research in other method which is quantitative research

Keywords: Performance appraisal, Company XYZ

ABSTRAK

Tujuan kajian ini adalah untuk menyiasat proses penilaian prestasi dalam Syarikat XYZ. Matlamat lain adalah untuk mengetahui dengan tepat masa untuk menjalankan penilaian prestasi. Kaedah yang digunakan dalam kajian ini adalah kaedah kualitatif di mana penyelidik telah menjalankan beberapa temu bual kepada pekerja-pekerja yang dipilih dalam syarikat itu sebelum ini. Teknik yang digunakan adalah temu bual, pemerhatian dan dokumen yang berkaitan. Pemberi maklumat yang dipilih telah dibahagikan kepada dua kumpulan iaitu maklumat kepakaran dan pemberi maklumat utama. Hasil kajian ini, terdapat lima langkah-langkah yang dijalankan dalam penilaian prestasi yang Tinjauan Prestasi Individu, Prestasi Kewangan Individu, Pencapaian Program Peningkatan dan Pelan Pembangunan Individu. Selain daripada itu sistem ini telah dijalankan pada awal tahun, pertengahan tahun dan akhir tahun. Bagi kajian berikutnya, penyelidik baru boleh memilih syarikat yang berada dalam bidang lain selain minyak dan gas dan juga menjalankan penyelidikan dalam kaedah lain yang iaitu kajian kuantitatif.

Kata-kata kunci: Penilaian prestasi, Syarikat XYZ

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CHAPTER 1

INTRODUCTION

1.1 Background of Study

Performance appraisal can be defined as a significant process of evaluating the employee's work behaviour by comparing it with specified standards. Then according to the standard qualified, documents the results of the comparison and uses the results to provide feedback to the employees to show where improvements are needed and the reasons why. Besides that, performance appraisal is employed to determine which employees need change. Changing here include what kind of training that need to implement for those who decreased in performance. Other than that, it also include that who possible to be promoted if they show an excellent work and also who had to demoted as a lesson. Not just that but it also for retaining good workers and not forgetting to fire the unnecessary employees.

Performance appraisal can be work into several systems according to the company desire. There are four basic steps in developing performance appraisal. Firstly is planning the employee performance appraisal system. The manager will discuss with selected person that will highlight several issues such as how the person will do the job and what results the person will achieve over the next twelve months.

Second step is executing the performance appraisal system. Over the course of the year, employee performance review should be focus on achieving the goals, objectives and key responsibilities of the job. The manager provide coaching and feedback to the individual to increase probability of success and create condition to motivate.

Third step is employee performance assessment. The manager reflect on how well the subordinate will performed over the course of the year and assembly the various forms and paperwork that the organization provide to make assessment. Lastly is employee performance review. Manager meets with subordinate and shows the evaluation form. Then discuss on what should they do and take an action.

The example of company which applying the performance appraisal is Wipro Technologies Limited. Wipro started as an edible oil producer in 1947 from an old mill founded by Azim Premji's father under the name Western India Vegetable Products. This company conducted by Azim H Premji as the Chairman. In 1977 it entered the IT segment and become third largest IT Services Company in India. Wipro is the first People Capability Maturity Model (PCMM) Level 5 Company and also the first Indian company to adopt Six Sigma. Besides that, Wipro is listed as 3rd Best HR Management Company in India. Until November 2008 they have about 97.250 employees. The aims of a performance appraisal at Wipro are given feedback on performance to employees, identify employee training needs, document criteria used to allocate organizational rewards, form a basis for personnel decisions: salary increases, promotions, disciplinary action and so on, provide opportunity for organizational diagnosis and development, facilitate communication between employee and administrator and lastly validate selection techniques and human resource policies to meet federal Equal Employment Opportunity requirements.

Performance appraisal itself has variety of methods that can be used to conduct in organization. But for different company, they will implement different method suit to their culture and environment. The party that might be able to conduct performance appraisal are by employee self, by supervisor, by co-workers and so on.

There are pros and cons while choose the suitable appraiser for example by employee self. The person himself more understand and more recognize himself rather that people surround. But there are many disadvantages also when conducting appraisal by employee self-include contain of bias. This is because when we talk about promotion and bonuses, people will ignore their weaknesses and try to provoke their strengths which sometimes it can be overestimate. For the company which choose co-workers as the appraiser it can be more suitable than by employee self. The advantages are sometimes our colleagues know us better. They can see our behaviour, acting and personality. Using those elements they can evaluate our performance. In contrast, it will create argument between these two parties. When appraisal conducted by co-workers some argument and misunderstanding could be done. If the appraiser has personal problem with the person who being assessed, bias will occurred too.

Conducting performance appraisal by supervisor will goes same situation too. The employee's immediate manager carries out most appraisals. The advantage of this is that immediate supervisor usually has the most intimate knowledge of the tasks that an individual has been carrying out and how well they have been done. The pros are it will more impartial. Supervisor will related both employee self-evaluation and co-workers evaluation and make some consideration. The info also come out from observation and work progression. Even when appraisal information is collected from a range of other sources, it is the immediate manager who collates and uses this information with the individual. However, a problem may arise when a subordinate is attached to another department for a period of time and his immediate supervisor has no knowledge of his performance at the other end.

In Malaysian public sector, formal evaluation of employee performance has been undertaken for a number of years. However, there have been weaknesses in the system such as no direct relationship between performance and rewards, performance standards and methods of evaluation were not very well defined and performance evaluation was confidential. The government realize the situation and introduces NPAS under New Remuneration System (NRS). This was part of its administrative

reforms to streamline the public sector and to improve its effectiveness in providing quality service. NPAS is a system based on reward and recognition. It requires all government departments to improve aspects of their work culture and environment to meet customer's requirement. This activities done through several steps such as problem diagnosis, participative involvement, executive and managerial action and continuous review of performance. The element in this system include the identification and clarification of job accountabilities, expectations, goals and objectives at the start of particular performance period and performance monitoring and evaluation, performance feedback and the development of a plan to coach and counsel individuals and teams an on-going basis, both during and at the end of a performance period.

1.2 Research Question

- 1) How the performance appraisal process be done in Company XYZ to improve employee satisfaction?
- 2) When is the right time to conduct performance appraisal for improving employee satisfaction?

1.3 Research Objectives

The following are the objectives of the study that will be highlighted:

- 1) To determine the process of performance appraisal in Company XYZ

Performance appraisal is one of the important elements that consist within the human resource management. It will indicate and measure the performance each of the employees. In certain company, they used different approaches to appreciate their employees. They want to make sure these internal assets are elated and comfortable working within the company. This is because with good condition and harmony

situation will reduce stress. As the results higher performance will be given back in term of good quality of works. So, within this objective we can observe which approaches that the oil and gas company used to.

2) To explore the exactly time for implement the performance appraisal.

This objective clearly said that in what stage and condition the performance appraisal will be implements. It can be as early as the recruitment. Some company will evaluate the workers before they are absorbed as a permanent staff. In this stage the manager will judge their performance and after that make a decision. Besides that, performance appraisal might be implementing according to company's financial strength. The excellent workers would be appreciated in the term of monetary. But also in the termination processes.

1.4 Scope of Study

This research project will focus primarily on one of seven function included in Human Resource Management which is performance appraisal. This research is only covering the process and the exactly time to conduct performance appraisal in Company XYZ. In this performance appraisal the elements that will uncover are process and when the time to conduct performance appraisal. Information will be getting from Company XYZ.

1.5 Important of the Project

The important of this research is to analyse the process of performance appraisal that can improve the employee satisfaction. This will encouraging to give any recommendation and suggestion that will lend a hand for the company to also move forward in the term of human resource management.

Therefore, in the academician side as well it will enrich the references about performance appraisal. An indirectly it will give more exposure to the student to understand more about one of the significance roles of human resources.

CHAPTER 2

LITERATURE REVIEW

2.1 History of Performance Appraisal

It is very important to understand the performance appraisal from their early existing. This will make us clearly realize that this method is very efficient since it already applied until today, in the twenty century. Performance appraisal (PA) has traditionally been viewed by industrial/organizational psychologists as a measurement problem. Indeed a quick review of its historical roots shows that early research on PA has focused on such issues as scale development, scale format, reducing test and rater bias, and like (Austin & Villanova, 1992; Edwards, 1957; Guilford, 1952; Landy & Farr, 1980, 1983).

To date, much of research on performance appraisal can be described as a search for better, more accurate and more cost-effective techniques for measuring job performance. Viewing performance appraisal as a social-psychological process is not unique (Ilgen & Favero, 1985). We will argue strongly, however, that the nearly exclusive treatment of PA by researchers as a measurement instrument is unrealistic. The assumption has led researchers to focus on questions that may not yield significant understanding or improvement in the practice of performance appraisal in organization (Bank & Murphy, 1985).

Early history of performance appraisal begun over the past 30 years but the practise of formally evaluating employees has existed for countries. As early as third century A.D., Sin Yu, an early Chinese philosopher, criticized biased rater employed by the Wei dynasty on the ground that the Imperial Rater of Nine Grades seldom rates men according to their merits but always according to his likes and dislike” (Pateten, 1977, p. 352). In 1648, the *Dublin (Ireland) Evening Post* allegedly rated legislators using a rating scale based on personal qualities (Hackett, 1928). The first industrial application of merit rating was probably made by Robert Owen at his cotton mills in New Lanark, Scotland, in early 1800s (Heilbroner, 1953). Wooden cubes of different colours indicating different degrees of merit were hung over each employee’s work cube. As employee performance changed, so did the appropriate wooden cube. The merit rating or efficiency rating in the Federal Civil Service has been in place since at least 1887 (Petrie, 1950) and perhaps as early as 1842 (Lopez, 1968).

2.2 Definition of Performance Appraisal

Compared to this era, performance appraisal has undergone many changes. This is very important to make it suit to employees capabilities and demanding. Now the term Performance Appraisal is a little bit same as Performance Management. Performance management is the process of identifying, measuring, managing and developing the performance of human resource in an organization. Performance appraisal, on the other hand, is the ongoing process of evaluating employee performance. Performance appraisals are reviews of employee performance over time, so appraisal is only one piece of performance management (Anon, 2010). Organizations can only win a competitive advantage through people (Alo, 2006).

Competition for scarce resources among organizations in Nigeria is becoming more and more stiffer (Ohabunwa, 1999) and (Akingbola, 2000). There is probably no program in the arsenal of personnel management that is difficult to effectively implement and yet so fundamental to individual and organizational growth than performance appraisal. In business as well as in government, effective results are

crucial to survival since improved performance is a basic criterion for individual and organization growth (Banjoko, 1982). To understand the definition of performance appraisal would enable us lay a solid foundation to capture what the concept of performance appraisal is all about. Performance appraisal is a process involving deliberate stock taking of the success, which an individual or organization has achieved in performing assigned tasks or meeting set goals over a period time. It therefore shows that performance appraisal practises should be deliberate and not by accident. It calls for serious approach to knowing how the individual is doing in performing his or her tasks (Alo, 1999).

Performance appraisal is a system which provides organizations with a means of identifying not only what people's performance levels are but which areas those levels need to be improved if maximum use is to be made of human resource, (Atimo, 2000) agrees with (Fajana, 1997). Performance appraisal is increasingly considered one of the most important human resource practices (Boswell and Boudreau, 2002). The Oxford English Dictionary defines appraise as "estimate the value or quality of performance". In the other hand performance appraisal is the assessment of what we produce and how (Bird, 2003).

2.3 Purposes of Performance Appraisal

Creating performance appraisal is not just for small reasons but they contribute a significant impact to organizations and employees. According to (Lloyd M. Field, 2012) there are several purposes of performance appraisal, which is:

- It lets the employee know where he/she stands
- It identifies the employee's strengths and weaknesses, so that the manager and employee can then work together to improve job-related behaviour.
- It provides information for salary decisions, since salary must bear a significant relationship to performance.

- It provides human resource planning information by identifying the organization's talented performers and by identifying the training and requirement required.
- Indirectly, increased motivation could seem to be a result of the appraisal process. But the trigger for change has come from outside not from within. An employee's work improves because he or she knows what is expected. Improvement could also results because the employee realizes the manager cares enough about performance to talk about it with him or her and to show that improvement is expected. It is more practical to talk about behaviour than about motivation.

Similar with (Boice and Kleiner, 1997), the overall purpose of performance appraisal is to let an employee know his or her performance compared with manager's expectations. Again, this is dimensional view. (Fletcher, 2006) takes a more balance view that for performance appraisal to be constructive and useful there needs to be something in it for appraiser and appraisee.

In other opinion, the common purpose of performance appraisal tends to be aimed at the measurement of individuals and consider that this focus is insufficient. For the organization perspective, with the successful performance appraisal will help to achieve the company goal by providing a quality employees that contribute the high performance. So, one of the purpose of performance appraisal is to attainment of corporate goals. Adding to this point of view it is a business imperative that the performance appraisal system includes characteristics to meet the organizational needs and all of its stakeholders (including management and staff). However in this research only focusing on performance appraisal based on the individual perspective, particular in measurement of individual performance and type of rewards given later.

According to Weightman (1996) also support same statement that performance appraisal can be used for many reasons including reward, discipline, coaching, counselling, rising morale, measuring achievement of targets and output, identifying development opportunities, improving upward and downward communication, reinforcing management control and selecting people for promotion or redundancy. There is a study where 80% of respondents were dissatisfied with

their appraisal scheme, in particular with multiplicity of objectives (Fletcher, 1994). The most obvious reason for appraising an individual is to secure its improvement (Harrison & Goulding, 1997) and it follows that securing performance improvement for all individuals will enhance wider organization performance. Overall, some commentators focus on organizational goals as the key purpose and many focuses on individual performance improvement.

2.4 Types of Performance Appraisal

According to Chris Obisi (2011) in his research “Employee Performance Appraisal and its Implication for Individual and Organization Growth” state that there are basically three types of appraisal. These include confidential or secret appraisal, open appraisal and also semi open and semi-secret. However, (Mamoria, 1995) and (Ryars & Rue, 1979) identified two types of appraisal, confidential and open appraisal.

a) Confidential Appraisal

In confidential appraisal, the individual is not involved in the appraisal exercise as the appraisal outcome is not at all communicated to the person being appraised (Murthy, 1989). In essence, the person’s strengths and weaknesses are not communicated to him or her. Some managers and supervisors involved in performance appraisal ignore periodic counselling after an incident has taken place (Obisi, 1996).

b) Open Appraisal

Open appraisal system reveals to the appraisee his or her strengths and weaknesses, his contributions and failures which are discussed with him or her during performance counselling interview. The open appraisal method would reveal and create self-awareness, which is a process of giving insight into one’s own performance (Mukundan, 1989). It helps the employee

become more reflective and objective about him and future planning, which establishes an action plan for the coming year in terms of fixing targets, activities, responsibilities etc. It also makes the employee aware of his key performance areas and the contribution that he is making to the organization.

c) **Semi Open and Semi Secret Appraisal**

This is an appraisal process whereby performance appraisal procedure would be made open at the beginning and later made secret. For instance, if an appraisee is asked to fill an appraisal form and the superior rates the subordinate and return his rating to the subordinate to sign and after signing, the subordinate would not hear anything again about his final performance outcome. In some cases, the subordinate would be given the form to fill and after filling and returning the form, the subordinate receives no further communication.

2.5 Methods of Performance Appraisal

Management by objectives, or MBOs, is a type of performance management system that requires the manager and employee to identify employee goals as they relate to the overall business. For example, a sales representative's objectives may include increasing revenue by 25 percent in 12 months. The employee determines how best to achieve this goal and establishes a timeline for the tasks she needs to accomplish to increase revenue: improve sales and decrease costs. Often, MBOs track progress on a quarterly basis, which is one of the benefits of using this method. Regular feedback is an effective motivator for many employees.

Based on research title “Performance Appraisal and Career Development” there are various methods and techniques used for performance appraisal can be categorized as traditional and modern method (Shubhangi Sharma, et al., 2012).