

THE RELATIONSHIP BETWEEN PERFORMANCE APPRAISAL AND EMPLOYEE'S
PERFORMANCE

MUHAMAD HAFFIZI BIN KAMARUDDIN

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Faculty of Technology Management and Technopreneurship
Universiti Teknikal Malaysia Melaka

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I hereby confirm that I have examined this project paper entitled:
The Relationship between Performance Appraisal and Employee's Performance

By

MUHAMAD HAFFIZI BIN KAMARUDDIN

I hereby acknowledge that this project paper has been accepted as part fulfilment for the
degree of Bachelor of Technology Management (Hons) in Innovation

Signature

:


Supervisor

: DR. NORFARIDATUL AKMALIAH

Date

: 26/06/13

I declare that this project is the result of my own research except as cited in the references. The research project has not been for any degree and is not concurrently submitted in candidature of any other degree.

Signature : 

Name : MUHAMMAD HAFFIZI

Date : 26 JUN 2013

This Research Paper is lovingly dedicated to my respective parents who have been my constant source of inspiration. They have given me the drive and discipline to tackle any task with enthusiasm and determination. Without their love and support this project would not have been made possible.

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ABSTRACT

Nowadays, the employees experience an evaluation of their past performance on an annual basis which is referred as performance appraisal. The evaluation of the employee's performance is needed to improve the skills and performances of employees. In other hand, performance appraisal is about whether set targets have been met and organizational goals have been achieved. In this study, the private and public sectors companies was selected to investigate the implication of the performance appraisal to the employee performance which directly influences the effectiveness of these company. The purpose of this study is to evaluate the dependency between performance appraisal and employees performances which directly influence the effectiveness of the company. The research utilized methods of performance appraisal that can be classified in workers view regarding their job satisfaction and level of effectiveness of workers performances. The survey and interview were conducted to collect respondent's answer and the data that had been collected showed that the relationship between performance appraisal and employees outcome in the forms of work performances was mediate by internal motivation. In a conclusion, the company had implemented the different performance appraisal system in the way to achieve the organizational goals. In order to obtain the positive employee performance, organization should provide the good performance appraisal platform.

ABSTRAK

Kini, penilaian prestasi pekerja dibuat atas dasar prestasi tahunan masa lalu yang dirujuk sebagai penilaian pekerjaan. Penilaian prestasi pekerja diperlukan untuk meningkatkan kemahiran dan prestasi pekerja. Sebaliknya, penilaian kerja dibuat mengikut sasaran yang ditetapkan dan memenuhi matlamat sesebuah organisasi. Dalam kajian ini, dua syarikat dari sector awam dan swasta telah dipilih untuk menyiasat implikasi penilaian pekerjaan kepada prestasi pekerja yang langsung mempengaruhi keberkesanan syarikat ini. Tujuan kajian ini adalah untuk menilai kebergantungan antara penilaian kerja dan prestasi pekerja yang secara langsung mempengaruhi keberkesanan syarikat. Penyelidikan menggunakan kaedah penilaian kerja yang boleh dikelaskan dalam pekerja melihat mengenai kepuasan kerja dan tahap keberkesanan pekerja persembahan mereka. Kaji selidik dan temu bual telah dijalankan untuk mengumpul jawapan responden dan data yang telah dikumpul menunjukkan bahawa hubungan antara penilaian pekerjaan dan hasil pekerja dalam bentuk persembahan kerja pengantara oleh motivasi dalaman. Kesimpulannya, syarikat itu telah melaksanakan sistem penilaian kerja yang berbeza dalam cara untuk mencapai matlamat organisasi. Dalam usaha untuk mendapatkan prestasi pekerja yang positif, organisasi perlu menyediakan penilaian kerja platform yang baik.

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LIST OF SYMBOL

HR	Human Resource
HRM	Human Resource Management
M	Mean
p	The p value tells if the analysis is significant or not (level of signifance)
PA	Performance Appraisal
r	The r-value indicates strength and direction (\pm) of the correlation
SD	Standard Deviation

ATTACHMENT

NO.	TITLE
1	Questionnaire Sample

CHAPTER 1

INTRODUCTION

The performance appraisal can be defined as a process where an individual employee's past and current performance is evaluated typically delivered annually, or sometimes biannually or sometimes quarterly by a supervisor or subordinates. This program is designed to help employees understand their roles, objectives, expectations and performance success (Snell Bohlander, 2010). It is a tool that is widely used within the private and public sectors as it seeks to provide better accountability to both of the organization and its employee. Most of advocates see this Human Resource (HR) programs as among the most logical means to appraise, develop and effectively utilize the knowledge and abilities of employees.

There are two main purposes why the organization conducts this program which are administrative purpose and developmental purpose. For the administrative purpose, usually the appraisal program will provide inputs that can be used for the entire range of human resource activities. The most common information used for from this program is

to determine employees' compensation decisions, including promotions, terminations and rewards, and developmental geared to improve employee's performance and strengthen their job skills.

For developmental purpose, appraisal program provides the feedback essential for discussing an employee strength and weaknesses as well as improving his or her performance. This point much more focuses on the development of the individual of the employee itself. Here, this program will provide managers and employees opportunities to identify any problems that may affect their performance discuss ways to build on their strengths, eliminate potential weaknesses, and set new goals for achieving high performance.

In many of the organizations, appraisal results are directly or indirectly linked to remuneration. That means the better performing employees get pay increase, bonuses, or promotions while those poor might get some counselling or in extreme cases they will demote. Thus, the performance appraisals influence the performance of the employing regard on company goals that need to achieve. A good plan appraisal system produces a profile of the organization's human resource strengths and weakness to support this effort.

1.1 Statement of problems

For many organizations, the main goal of an appraisal system is to improve the performance of the employee and organizational performance. Regardless of the

emphasis, an effective appraisal determined accomplishments and designed a plan for development, goals, and objectives. However, a possible cause through performance appraisal is dissatisfaction or negative perception existed which mean the management is too much expecting from appraisal plan that had been designed. Besides that, the anticipation of receiving a performance appraisal can be uncomfortable and potentially cause tension between supervisors and subordinates. Thus, a properly plan system can help organizational objectives and enhance the employee performance.

Rather than looking at the traits of the employees or behaviours that they exhibit on the job, most of the organization more prefers to evaluate the employee accomplishment that they achieved through their work. In this way, results appraisal can directly align employee and organizational goal. Unfortunately, this method sometimes will become ineffective when the result appraisal may be contaminated by external factors that employee cannot influence. In this case, it is unfair to hold these employee accountabilities for results that are contaminated by circumstances that are beyond their control. Factors such as cooperation, adaptability and concerns of human relations are important to the job success of the employees.

1.2 Objective

The aim of this study is to evaluate the dependency between performance appraisal and employee performance which directly influence the company effectiveness and next recommend improvement measures of effective performance appraisal evaluation resolved to increase employee's performances in Government and Private Sector.

The objectives of the study are states as below:

- 1) To determine the relationship between performance appraisal and employee's performance.
- 2) To evaluate the effectiveness of performance appraisal in the form of employee's performances.

1.3 Scope

The research sought to investigate the relationship between performance appraisal and employee performance which regard to the company performance. A range of research methodologies was used to evaluate the effectiveness of the performance appraisal system to the employee performance and the view of the level employee's satisfaction in the company. This research was carried out particularly in the area of Selangor and Perak. The researcher prefers at Government and Private Sector because it can provide necessary information and meet the criteria of this study.

Several different surveys were developed to collect diverse responses. This research is mainly divided into two groups of respondent. The first group encompassed in the private sector. The second group of the respondent covers the group of workers under the government sector. These two sectors of company were choosing to analyze the differentiation information between these sectors. The employee's view about the performance appraisal practices will be examined which conducted in the way of their satisfaction and performances.

1.4 Limitations

There are several of the limitation states in this study. This research was carried out particularly in the area of satisfaction with performance appraisal and how it could lead to employee's work performance. The research will be done among the employee view of the performance appraisal practise in this company. The outcome of this research will be analyzed into the effective way of the performance appraisal practices in the company. Besides that, this study is to investigate the relationship between performance appraisal and employee's performance. This research comes out with worker's performances affective organizational commitment and turnover intention. The researcher only focusing on the performance exists with the employee and the company. With other hand, the researcher has also faced the problem where the time taken when the study was done too limited. The researcher can't do comprehensive observation because time factor influences the researcher or the respondent.

1.5 Summary

Effective appraisal systems are extremely important in any of the organization, and it is vital that management carries out appraisals in order to develop their teams. The effectiveness of appraisal systems hinges on a range of the different factors (Langenecker, 1997). The management of appraisal is the most important factors to be considered, as the individual managers giving the appraisal has the most direct effect on the delivery and outcome of the appraisal interview and the motivation usefulness.

In this research, the performance appraisal will be taken as a vital concern to improve the employee performances and helps the company achieve its main objectives. The effectiveness of the performance appraisal practices among the employee will be determined to make this research success.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter briefly describes the meanings, antecedents and consequences of the variables used in this research. The researcher has used various reference materials as a guide such as journals, books, newspaper, magazine, thesis, mass media and other printed material. Researcher systematically examines all sources and describes and justifies problem, issue or debate in terms that show a balance between the theoretical, methodological and practical aspects of the research. This enables to determine objectively whether to accept the results of the review. Finally, the theoretical framework for this research was shown to provide an analytical and critical evaluative standardized to the existing literature on the research have done.

The literature review used to take a closer view on the research objectives and problem statement of previous studies on the effectiveness of the performance appraisal regarding to the employee's performances. The tools and the technique will be discussed in this section to make the performance appraisal more effective in the view of worker's performances. The researcher also explains the relationship between performance appraisal and employee performance including the level of satisfaction among employee. In other words, performance of employee will be coming to assess the

information in personal view of the workers about the performance appraisal practice in the organization.

Furthermore, this research will enhance the understanding of performance appraisal and the importance it carries on employee performance in Malaysia. The intention of this research is to investigate the organizations in Malaysia about its appraisal systems, by identifying the perceived satisfaction of employees towards their performance appraisal process that can provide and promote excellent feedback towards their employees thus enhancing employees work performance and affect organizational performance.

2.2 Performance Appraisal Definition

The existence of the performance appraisal principles has been observed since early 1900s (Vance, 1992). At that point of time, it was designed to support a top-down, control-oriented style of management. Vance (1992) noted that performance appraisal is a control system that is used by almost all organizations to specify the behavior that employees must perform in accordance with the organizational objectives". It enabled corporations to retain control over their employees, develop the employees, individually as well as team centered and the employee involved in setting goals for the organization (Vance, 1992).

Furthermore, performance appraisal served as a tool for managing the effectiveness and efficiency of employees" (Spicer & Ahmad, 2006). Coutts and Schneider (2004) noted performance appraisal as a vital component of a broader set of human resource practices; it is the mechanism for evaluating the extent to which each employee day-to-day performance is linked to the goals established by the organization. Lowenberg and Conrad, (1998), observed similar initiative. These reviews suggested

that performance appraisal functioned as a tool for administrative purposes within an organization.

On the other hand, some other authors suggested that performance appraisal was more of a tool that carried employee developmental purposes. Murphy and Cleveland (1995) defined performance appraisal system as a tool that accomplished specific goals, such as self-enhancement or improvement of relationships with subordinates. Moreover, performance appraisal acts as valuation reference to reward employees, both intrinsically and extrinsically, and thus improve the employee's performance by continuous communication and feedback between both the employee and the organization (Vance, 1992). Boice and Kleiner (1997) noted that performance appraisal was most commonly undertaken to let an employee know how his or her performance compares with the supervisor's expectations and to identify areas that require training or development.

2.3 Who Conduct Performance Appraisal

In conducting performance appraisal program there are several groups that are empowered to evaluate the performance of the employees. It can be divided into several types which include a manager or supervisor appraisal, self-appraisal, and subordinate appraisal. Manager or supervisor appraisal may be referred as an appraisal done by an employees' managers and often reviewed by a manager one level higher (Snell, Bohlander, 2010). It has been the traditional approach to evaluate employees' performance. In most situations, supervisors are in the best position to do so. This is due to the lack of time of the managers to fully observe the performance of the employees. If reliability and validity of measurement are not available, the appraisal may be less accurate. In addition, research has shown that the ratings managers' gives employees that they have known for less than a year are less reliable (Corey E. Miller & Carl L. Thornton, 2006).

Other than that, self-appraisal refers to the appraisal done by the employee being evaluated; generally on an appraisal form completed by the employee prior to the performance interview (Snell, Bohlander, 2010). This kind of appraisal is beneficial when managers seek to increase employees' involvement in the review process. It requires the appraisal form prior to the performance interview. At this point, it enables the employee to think about his or her weakness and may lead to discussion about barriers to effective performance. This approach will work well when the employee and the manager jointly establish future performance goals or employee development plan. However, critics had argued that this approach is more lenient and the employee tends to present themselves in a highly favourable light. Other than that it also can lead employees to believe that they will have more influence over the appraisal's outcome. If that expectation is not met, the employee can become frustrated.

Furthermore, subordinate appraisal had been widely used by both large and small organization. It refers to the appraisal of superior done by an employee which it is more appropriate for developmental rather than administrative purpose. This approach also had been shown to improve the performance of the managers. The standards include in evaluating the manager's performance are manager's leadership, oral communication, delegation of authority, coordination of team efforts and interest in his or her employees. However, dimensions related to the managers' specific job tasks such as planning and organizing, budgeting, creativity and analytical ability are not usually considered appropriate for employees to appraise.

2.4 Potential Complications of Performance Appraisals

Even with all the potential advantages of formal performance appraisals, there are still potential drawbacks as well. It has been noted that determining the relationship

between individual job performance and organizational performance can be a difficult task. Generally, there are two problems from which several complications spawn. One of the problems with formal performance appraisal is there can be damaging effects to the organization involved if the appraisals are not used appropriately. The second problem with a formal performance appraisal is they can be ineffective if this system does not correspond with the organizational culture and system.

Other than that it also will lead to negative perceptions. This is because receiving and the anticipation of receiving a performance appraisal can be uncomfortable and distressful and potentially cause “tension between supervisors and subordinates” (Jenks, J. M., 1991). Sometimes performance appraisal also will lead to an error. Usually, this program should provide accurate and relevant ratings of an employee’s performance as compared to pre-established criteria (i.e. organizational expectations). However, supervisors will sometimes rate employees more favourably rather than their true performance in order to please the employees and avoid conflict.

2.5 Importance of Performance appraisal

There are a number of potential benefits of organizational performance management conducting formal performance appraisals. There has been a general consensus that performance appraisal lead to positive implications of organizations (Pettijohn et. al, 2001). Furthermore, performance appraisal can benefit an organization’s effectiveness. One way is it can often lead to giving individual workers feedback about their job performance.

Others potential benefits include facilitation of communication. This is because communication in organizations is considered an essential function of worker