

EXAMINING THE IMPACT OF ELECTRONIC PERFORMANCE
APPRAISAL ON EMPLOYEE PRODUCTIVITY IN
ORGANIZATION

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

Signature:

Name :

Date:

DEDICATION

This project would have remained a dream and be a precious gift for my parents Mr Lau Eng Choon and Madam Lim Lay Gout, who believed that I would one day pursue a degree. Their unwavering love and support given to me during the implementation of this research have kept me motivated to accomplish my first project in my life. Thank you for giving me a chance to prove and improve myself through my life. To all my family, thank you for supporting me mentally and financially for allowing me to further my studies.

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ABSTRACT

Electronic Performance Appraisal (EPA) is a web-based appraisal system that can be defined as the system which uses the web (intranet and internet) to effectively evaluate the skills, knowledge and the performance of the employees which reduces the money. There are many past researches described on the comparison of traditional performance appraisal and online performance appraisal. Most of the researchers conducted studies and claimed that EPA brings more benefits to organizations compared to traditional performance appraisal. However, EPA has its own limitations for certain situations or aspects. In addition, it is no doubt that employees are important human capital of an organization. Hence, due to the uncertainty of effectiveness of EPA, importance of implementing EPA and importance of employee development, the researcher would like to conduct a research regarding on examining impact of EPA on employee productivity in organizations. To conduct this research, the researcher use descriptive research design and quantitative research method to collect data from employees who work at organizations that are currently practising EPA, in Petaling Jaya and Kuala Lumpur, Selangor. The findings of this research showed that performance tracking function and cost effectiveness by using EPA affects rate of employee productivity in organizations. This indicates that EPA enables organizations to increase employee productivity by allowing employees to obtain immediate feedback from top management regarding on room of improvement of working performance. As a result, employees are more engaged to work and improve their productivity. Hence, this research emphasized that EPA brings benefits to organizations in evaluating performance of employees and increasing employee productivity. In conclusion, it is recommended for this research about EPA to be further studied at different locations in order to obtain more precise information about Electronic Performance Appraisal.

ABSTRAK

Elektronik Penilaian Prestasi (“EPA”) merupakan aplikasi berasaskan web di mana pengurus dapat menilai prestasi pekerja-pekerja melalui internet atau intranet dengan lebih efisien dan kos yang rendah. Banyak penyelidik dalam era-globalisasi ini menajalani kajian tentang perbezaan antara tradisional penilaian prestasi dan elektronik penilainan prestasi. Kebanyakan dapatan kajian daripada kajian lepas tentang “EPA” menunjukkan bahawa elektronik penilainan prestasi menyumbang lebih kelebihan kepada organisasi daripada tradisional penilaian prestasi. Namun, elektronik penilainan prestasi mempunyai keburukannya semasa dipraktikkan di organisasi. Tambahan pula, pekerja merupakan aset yang amat penting kepada sesuatu organisasi. Justeru, penyelidik project ini bercadang untuk menajalani kajian atas kesan-kesan Elektronik Penilaian Prestasi terhadap produktiviti pekerja dengan menggunakan reka bentuk kajian deskriptif dan kaedah penyelidikan kuantitatif. Penyelidik kajian mengumpul data daripada para pekerja yang bekerja di organisasi yang mempraktikkan Elektronik Penilaian Prestasi dan berada di kawasan Petaling Jaya dan Kuala Lumpur, Selangor. Hasil kajian mengesahkan bahawa Elektronik Penilaian Prestasi yang berfungsi mengesan data prestasi kerja secara online dan menjimatkan kos dapat membantu organisasi meningkatkan produktiviti pekerja dan seterusnya menyumbang kepada pembangunan organisasi. Hal ini demikian kerana Elektronik Penilaian Prestasi membolehkan para pekerja mendapat maklum balas terhadap prestasi kerja daripada penyelia dengan segera. Situasi ini menyebabkan para pekerja lebih memberi perhatian terhadap kerja dengan bimbingan penyelia. Kesannya, produktiviti pekerja organisasi meningkat. Dapatan kajian ini menunjukkan bahawa Elektronik Penilaian Prestasi menyumbang kepada organisasi dalam pembangunan sumber manusia. Justetu, kajian yang lebih mendalam tentang “EPA” harus

dijalani di lokasi penyelidikan yang berlainan untuk maklumat lanjut terhadap “EPA” pada masa depan.

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CHAPTER 1

INTRODUCTION

1.1 Overview of Chapter

The researcher described historical background of this study, brief introduction of electronic performance appraisal and employee productivity, the needs to conduct this study, research objectives, scope of this research and project significance before reviewing literature of past researches on this study.

1.2 Background of the study

Electronic Performance Appraisal (EPA) is web-based appraisal system can be defined as the system which uses the web (intranet and internet) to effectively evaluate the skills, knowledge and the performance of the employees which reduces the money (Fahimeh, 2014).

EPA contributes various advantages to concurrent human resource practices in organizations. This human resource information system enables top management of organizations to reduce biases in appraisal and linking performance information to other HR data as two other deliverable of these systems (Johnson and Gueutal, 2011).

Moreover, this online system is able to capture information of the employees in which the managers are unable to construct through utilization of traditional performance appraisal system (Farr et al., 2013).

Though EPA is functional to current human resource applications in organizations, it does have limitations to the corporation too. Evaluating performance appraisal electronically causes unfair appraisal due to failure of analysing performance data uploaded on EPA. This causes demotivation on employees to perform their works well (Arjomandy.D, 2012). Moreover, EPA is not able to measure the complexity of the work and these results in employees' failure of accessing the work procedures (Johnson and Gueutal, 2011).

Based on past research studies, technology evolution of electronic human resource performance appraisal was initially invented and introduced to the market in United States. Software, namely, PeopleSoft, has been successfully developed to the market in U.S since years ago. This software is a technological product which is developed by PeopleSoft Team of Oracle Corporation in U.S (Oracle,2015). Reviewing past studies, the researcher found that PeopleSoft e-Performance is tightly integrated with profile management functionality which means that people in organizations can be measured not only on goal attainment but upon the competencies, skills and attributes that are required for their role (Oracle,2015).

In addition, there are various significant differences between appraisal smart and traditional performance appraisal. Traditional performance appraisal results in infrequent feedback. The researcher found that HR professionals identify and resolve performance issues once a year is silly if they set these HR objectives as their primary human resource goals (Dr Sullivan. J,2011). A quality assessment or control program anywhere else in the business would operate in real time. At the very minimum, formal feedback needs to be given quarterly, like the GE process (Dr Sullivan. J,2011). This is one of the most significant differences between traditional and electronic performance appraisal.

1.3 Problem Statement

GSI Executive Search (2010) claimed that traditional performance feedback that are conducted once or twice a year provides less opportunity utilised to inform an employee what kind of skills he or she needs to develop. Conversely, Sullivan.J (2011) proved that executing performance appraisal process annually is inefficient and this causes infrequent feedback of managers to the employees in organization. Feedback is not immediate by utilizing traditional performance appraisal (GSI Executive Search,2010). GSI Executive Search (2010) further added that while traditional performance appraisals provide the perfect opportunity for managers and staff to have a face-to-face discussion and this is unfortunately open to biased ratings. Sullivan.J (2011) further claims that traditional performance appraisal is a time-consuming process in which most of the forms are incredibly long and time-consuming. There are potential data input errors that are caused by manual recording of performance appraisal (Appraisal Smart Pty. Ltd, 2015). This indicates that traditional performance appraisal system brings many problems to performance appraisal process in organizations. Therefore, this study is conducted to examine the importance of implementing electronic performance appraisal in organization that might eventually improve performance appraisal process and increase employee productivity in the organization.

1.4 Research questions

Based on the problems of the research area, there are some specific units of measurement needed to be investigated throughout the research.

- a. What are the factors that influence the use of EPA in increasing employee productivity?
- b. What are the impacts of EPA on increased employee productivity?
- c. What is the most significant factor that influences the use of EPA in increasing employee productivity?

1.5 Research Objectives

To provide a clear direction to this study, the following specific research objectives are the references which were further examined in order to make the research process smooth.

- a. To determine the factors that influence the use of EPA in increasing employee productivity
- b. To examine the impacts of EPA on increased employee productivity
- c. To identify the most significant factor that influences the use of EPA on increasing employee productivity

1.6 Scope

The researcher investigated and examined three dimensions of this study at the areas of Petaling Jaya and Kuala Lumpur in Selangor only.

In addition, dimension of this study was focused on Electronic Performance Appraisal (EPA) which is a type of Human Resource Information Technology. The areas of measurement regarding EPA are investigating the factors that influence the use of EPA on increasing employee productivity, examining the impact of EPA on increased employee productivity and identifying the most significant factor that influences the use of EPA to increase employee productivity.

Moreover, organizations targeted for this study are mainly from private sector. Organizations selected for this research are Human Resource Software Producer and under semiconductor industry.

1.7 Project Significance

There are three major parties listed as the following who may gain benefits from the emerging of E-Performance Appraisal.

1. Employees

Employees are able to understand what their top managements require them to do to fulfil the minimum needs of organization management by reviewing their performance appraisal results online.

2. Employers

Top managements are able to evaluate performances of their staffs online even it is during their off day or after working hours. They are easy to access performance document online to review how their staffs are working in which they are not necessary to conduct appraisal on their employees' performance manually during working hours.

3. Country

When top management of an organization is able to enhance employee productivity with the adoption of electronic performance appraisal, they could provide capable human resources who might be the important factors to corporate economic development especially. This might foster the growth of economic development in a country.

1.8 Chapter Summary

Overall, there is conflict of HR department in organization with respect of transforming traditional-based performance appraisal to web-based performance appraisal. This is because there are many benefits of modern HR practices compared to that of traditional HRM. Therefore, the researcher attempts to conduct research on this research topic at those private sector organizations that are currently applying EPA. Those selected organizations are mainly under semiconductor industry and human resource software development industry.

CHAPTER 2

LITERATURE REVIEW

2.1 Chapter Overview

The researcher reviewed past researches of the topics related to this study in order to construct proposed research framework on the impacts of electronic performance appraisal on employee productivity. The researcher reviewed the past researches on this research topic and made a determination on the variables to be tested in the latter of this study.

2.2 Human Resource Information System (HRIS)

2.2.1 Definition

There are several versions of definitions of Human Resource Information System (HRIS) provided by different authors. According to Thite.M, Johnson.R.D and Kavanagh.M.J (2012), HRIS was defined as a system used to acquire, store, manipulate, analyze, retrieve, and distribute information regarding an organization's human resources. Similarly, Sabrina (2014) agreed that HRIS could be briefly defined as that of Kavanagh et al. (2012) and this researcher further added that

Human Resource Information System (HRIS) is a systematic way of storing data and information of each individual employee to aid planning, decision making, and submitting of returns and reports to the external agencies. Moreover, Kamal and Ashish (2013) reviewed past researches on HRIS and concluded that HRIS is an opportunity for organizations to make the HR department administratively and strategically participative in operating the organization.

In addition, there is relationship between HRIS and e-HRM (Electronic Human Resource Management). Thite.M, Johnson.R.D and Kavanagh.M.J (2012) declared that e-HRM is implemented with the application of HRIS. According to the former researchers, an HRIS can include technologies such as databases, small functional systems focused on a single HR application, such as performance management, or a large scale and integrated web-based application. One of the subsystems of HRIS is performance evaluation (Julie Bulmash, 2006). Also, Omer and Mehmet (2012) further visualized that e-HRM is an HRIS that HR personnel, managers and other employees access via internet or intranet.

2.2.2 Chronological Evolution of HRIS

Before Human Resources activities are transformed with technology advancement, human resource management was completed with traditional human resource activities (Thite.M, Johnson.R.D and Kavanagh.M.J, 2012). These researchers explained historical evolution of HRIS in which the HR activities are concerned and implemented with no computer technology in the early 20th Century. HR activities are then transformed with the emergence of Strategic HRM associated with new HR technologies which are interacted with Human Resource Management. New HR technology includes computer-based technology, HRIS. This HR technology transformed traditional paper HR recording activities to web-based data recording in this 21st Century. Applying HRIS as one of the latest HR technologies in implementing HR functions could be cost effective and efficient to organizations. Essence of HRIS contributed to the emergence of Electronic Human Resource

Management (e-HRM) in the latest society (Thite.M, Johnson.R.D and Kavanagh.M.J, 2012).

In addition, Bulmash.J (2006) further provided informative historical evolution of HRIS. According to Julie Bulmash, evolution of HRIS consists of five stages. In the early century, human resource activities were carried out with the paper-based system. This traditional paper-based system was then transformed to early personal computer technology, electronic database systems, Web-Based technological application and finally Human Resource Information System (HRIS) (Bulmash.J, 2006).

2.2.3 Benefits of Utilization of HRIS on HRM

2.2.3.1 Cost Effective

Kamini (2012) claimed that HRIS assists in HRM (Human Resource Management) such as employee management, biographical record, job evaluation, recruitment, interviews, cost control, productivity and salary planning. According to Kamini, HRIS contributes values to HR administrative and operational role by improving efficiency with which employee data and HR activities are compiled. Essence of HRIS enables HR activities to be completed automatically with less paper work and more efficiently. Similarly, Akansha, Sanjeev and Tarun (2011) agreed that HRIS helps Human Resource Department to save administrative and HR costs. Sabrina (2014) added that HRIS saved cost in terms of paper usage and it helps to increase overall HR department's efficiency.