

THE IMPACT OF PERFORMANCE APPRAISAL SYSTEM ON STAFF'S
PRODUCTIVITY:

A CASE IN PROTON HOLDINGS BERHAD

NUR ADIBAH YASMIN BINTI ROSLAN

This report submitted in partial fulfilment for Bachelor of Technology Management
(Innovation Technology) with Honors.

Faculty of Technology Management and Technopreneurship (FPTT), University
Teknikal Malaysia Melaka (UTeM)

2017

SUPERVISOR VERIFICATION

“I / We hereby declare that I have read this report and in my/our opinion, this report is sufficient in terms of quality and scope to qualify for academic award of Bachelor of Technopreneurship with Honours.”

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JUNE 2017

DECLARATION

“I declare that this thesis project entitled “The Impact of Performance Appraisal System on Staff’s Productivity: A Case in Proton Holdings Berhad.” is the result of my own research except as cited in the references. This research project has not been for any degree and is not concurrently submitted in candidature of any other degree.”

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Name : NUR ADIBAH YASMIN BINTI ROSLAN

Date :

DEDICATION

I want to dedicate my success in the completion of this project especially to my parents, Roslan bin Dawang and Maimunah Binti Jelas and my beloved family whom always there concerns and helped in terms of financial and motivation support. The sacrifices that they had made for me would not be enough by just submitting this report. Thus, I am honoured to have them beside me through thick or thin. Secondly, the dedication is for my friends which have helped me a lot in terms of spirit, encouragement, guides me to complete the project and giving timely advice in all the ways, they were always there through ups and down. And also not forgotten, I would like to express a deep sense of gratitude to my supervisor for this Final Year Project, Datin Suraya Binti Ahmad.

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ABSTRACT

The study is designed to examine that impact of performance appraisal system towards staff's productivity, it is how an organization to survive due to the performance of its employees depends on the appraised periodically. Hence, this study was conducted to investigate the impact to staff's productivity by referred Proton Holdings Berhad the case on research. Thus, it is crucial to appraise the performance of the staffs periodically in order to brought positive impact because without this appraisal, it could affect the productive level of Proton greatly from there it is essential for the company to choose the right standards in order to conducting the assessment for the performance of employees. To understand the impact from conducting the performance appraisal system to the staff's productivity in Proton. Therefore, the staff's productivity starting with position of technician, supervisor, manager, division manager and other were studied in this research. This research project was done through questionnaire, survey and observations. The data was gathered with the quantitative methods. 24 questions were designed but survey also done for this research project to get deeper information about the performance appraisal system. The results indicate that staffs' productivity were impacted by the performance appraisal system that been applied. In order for Proton Holdings Berhad to successfully conducting performance appraisal system smoothly were through the procedural justice once the management team conducted the performance appraisal system, choose the right selection criterion that suitable from the result of assessment not and by identified the biases that occurred and eliminated or prevented. In order for an organization to successfully knows the impact of performance appraisal system on staff's productivity. The findings indicate that procedural justice, selection criterion and appraisal biases as the major findings for this study.

Keywords: Performance Appraisal System, procedural justice, biases, staff's productivity

ABSTRAK

Kajian ini bertujuan untuk mengkaji bahawa kesan sistem penilaian prestasi ke arah produktiviti, adalah bagaimana sesebuah organisasi untuk terus hidup kakitangan kerana prestasi pekerja bergantung kepada dinilai secara berkala. Oleh itu, kajian ini telah dijalankan untuk menyiasat kesan kepada produktiviti kakitangan dengan dirujuk Proton Holdings Berhad mengikut mana-mana penyelidikan. Oleh itu, adalah penting untuk menilai prestasi kakitangan secara berkala untuk imoact positif dibawa kerana tanpa penilaian ini, ia boleh mempengaruhi sesebuah tahap produktif Proton besar dari sana ia adalah penting bagi syarikat itu untuk memilih standard yang betul untuk menjalankan penilaian bagi prestasi kakitangan. Untuk memahami kesan daripada menjalankan sistem penilaian prestasi produktiviti kakitangan dalam Proton. Oleh itu, produktiviti kakitangan bermula dengan jawatan juruteknik, suoervisor, pengurus, pengurus bahagian dan lain-lain telah dikaji dalam kajian ini. Projek penyelidikan dijalankan melalui soal selidik, kajian dan pemerhatian. Data dikumpul dengan kaedah kuantitatif. 24 soalan telah direka tetapi kajian juga dilakukan untuk projek penyelidikan ini untuk mendapatkan maklumat lanjut yang lebih mendalam mengenai sistem penilaian prestasi. Keputusan menunjukkan bahawa kakitangan produktiviti telah terjejas oleh sistem penilaian prestasi yang telah digunakan. Dalam usaha untuk Proton Holdings Berhad untuk berjaya menjalankan sistem penilaian prestasi lancar adalah melalui keadilan prosedur sekali pihak pengurusan menjalankan sistem penilaian prestasi, memilih kriteria pemilihan yang tepat yang sesuai dari hasil assessmentnot dan dengan mengenal pasti berat sebelah yang berlaku dan dihapuskan atau dicegah. Dalam usaha untuk organisasi untuk berjaya mengenalpasti impak sistem penilaian prestasi ke atas produktiviti pekerja tersebut. Dapatan kajian menunjukkan bahawa keadilan prosedur, kriteria pemilihan dan penilaian berat sebelah merupakan faktor terbesar penyumbang pada penyelidikan ini.

Kata kunci: *Penilaian Prestasi Sistem, keadilan prosedur, berat sebelah, produktiviti kakitangan*

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CHAPTER 1

INTRODUCTION

1.1 Introduction

Oxford Advanced Learners Dictionary defines appraisal as the ability to assess the value or quality of somebody or something. Performance appraisal system is a basic tool in which to evaluate the work performance for identifying any of improvement and development. In Malaysia, Perusahaan Otomobil Nasional Holdings Bhd. Proton were known as one of larger automotive industry. Manufacturing is considered to be an important element in a firm's endeavour to improve firm performance (Hayes & Wheelwright, 1984; Skinner, 1969) (Leachman, Pegels, & Shin, 2005) in (Authors, 2014). However, the employees are the valuable asset to management that will enhance more in automotive productivity. According to Davis (1995) in (Ochoti & Maronga, 2012) if such a process is conducted effectively, it will increase productivity and quality of output.

The focus of the study is to investigate the potential impact in Proton Company within performance appraisal system towards employee's productivity in automotive industry. Therefore, can be able to examine the commitment of management towards appraisal system to increase the staff productivity. Manager could visualize the improvement of feedback between subordinates by the task assigned to keep the employees on track. The purpose of this chapter, is to be able to deliver the overview of subject study and the comprehensive summary of study. It

will proceed with the background of study and followed by the statement of research problem, research question and shows the goals of the research. By the end of this chapter it will concludes with the significance, scope, limitation and brief key concepts of the topic.

1.2 Background of study

The history of performance appraisal exists in the early 20th century, as the prescribed management procedure used in the assessment of work performance. Performance appraisal is used in organizational for a variety of purposes (Carlson, 2004). For the appraisals to be effective, the top management must be supportive in providing information, clear performance standards must be set, the appraisals must not be used for any other purpose apart from performance management, and the evaluations must be free from any rating biases (Goff & Longenecker, 1990) in (Jafari, Bourouni, & Amiri, 2009). The relationship between supervisor-subordinate creates substantially impacts by performance appraisal and can encourages feedback. The quality of interactions and communication between the rater and the ratee during the appraisals will influence the process by Ochoti & Maronga (2012).

The context in which performance appraisal is conducted to achieve a certain outcome that is greatly beneficial to the employee. In certain organization there will be vary of performance appraisal system that been used to analyse their employee performance. The function of performance appraisal system is to create a high level of trust with employees. By referring to (Ochoti & Maronga, 2012) in order to have an effective system, ratees should be given room to appeal against a rating that they feel is incorrect as to protect the employees from any unfair ratings.

Information from the performance appraisal is used within an organization for multiple purposes and decisions (Carlson, 2004). In the present study, survey is conducted, the ways in which information from performance appraisal is used in large scale of organization and even small scale as well as extent to which performance appraisal used in many purposes by single organization. Performance evaluation generates classes of firms based on performance (Carlson, 2004).

1.3 Problem Statement

The challenging part of performance appraisal is to evaluate the actual performance of the staff to make sure they keep on the track. Thus, it is crucial to choose the correct selection criterion after the assessment of performance appraisal that are mostly be used and effective in organization. It is important to focus on standardized performance and to compare the desired performance to the actual performance of the staff. After the employees be evaluated, the performance appraisal has been documented, if the respondent knows the feedback they can effectively improving. By referring to business website, *Linked In*, (2016) nearly 60% of survey conducted shows that employees more preferable to receiving the feedback on a daily or weekly basis. Through the feedback they received from the performance appraisal conducted in the organization, managers and their subordinate could identify where they stand at, and the gap can be eliminating and enhance their performance. There were a lot of bias occurred when in performance appraisal system been conducting. The biases come from the rater that overlook on the mistake or take lightly over the matter. By that, the procedural justice from the employees toward the performance appraisal system would eventually giving an impact to the staff's productivity either positive or negative.

1.4 Research Questions

In order to achieve objectives research, the following question were highlighted to be the framework providing guideline for the research work;

- 1.4.1** What are the procedural justice in the existing performance appraisal practise of the organization?
- 1.4.2** What are the selection criterion does the organization choose that give an impact to the staff's productivity?
- 1.4.3** What are the biases that may occurred in performance appraisal system on staff's productivity?

1.5 Research Objectives

Research objectives are the points of finding the information based on the research question after knowing the purpose of the research;

- 1.5.1** To examine the procedural justice in the existing performance appraisal practise of the organization.
- 1.5.2** To determine which the selection criterion does the organization choose that give an impact to the staff's productivity
- 1.5.3** To identify the performance appraisal biases that may occurred in performance appraisal system on staff's productivity.

1.6 Scope, Limitations and Key Assumption

1.6.1 Scope

This study focused on the impact of performance appraisal system on staff's productivity having performance appraisal system as the independent variable and staff's productivity as the dependent variable. The scope that the researcher had choose were automotive industry. Besides that, the geographic area of the research is around Selangor and Perak automotive as a manufacturing industry. Thus, researcher has chosen Proton Holdings Berhad as a potential automotive company which conducting the annually performance appraisal system. The method that be used in this research is by distributed the questionnaire at the chosen company. The questionnaire is based on the literacy study from previously that been adapt into the research. Therefore, the targeted respondents are among management ranks in that company which include admin managers, operation manager, and supervisor. The total number of respondents involves is 100.

1.6.2 Limitations

From doing the research, there were several limitations had been faced. The respondent might not have related experience to the research study and have not in related field to reply the questionnaire. Their constraint to limited of time to fully understand the question before answered it, make the outcome of the answer in the same pattern. The respondent does not have an adequate knowledge regarding to the study, they find it difficult to answer because of the beyond of their knowledgeable. The resources from the 5 years' literacy are limited to acquire.

1.6.3 Key Assumptions

The respondent that participated in the research questionnaire are been assumed to have given their honest answer to the questions in order to construct valid conclusions from the empirical data. Based from the data received, the researcher had illustrated that respondents had the adequate knowledge about performance appraisal, to be a part of respondent to primary data collection. Thus, the researcher assumed the respondent has more experiences in handling this research topic for he/she to provide justify standardized answer.

1.7 Importance of the study

By the research study, it will be great platform to encourage the relation between the employees' and their subordinates in automotive company. The significance of this research to help the Proton Holdings to improvise by able to reduced or even eliminates the issues occurred in assessment that could affect staffs' productivity. Thus, the management can identify the correct method of performance appraisal and the importance of procedural justice that lead to improvement and development of staffs' productivity. From this study, it can also contribute for the future researchers that have an interest to conduct the same topic of performance appraisal and attentiveness to study more about the ratings biases and the procedural justice in performance appraisal toward the improvement staffs' productivity. Hence, by encouraging the involvement and commitment of employees to the organizational, therefore the goals and objectives can be achieved by both the employee and employer. The employer could gain new insight on the performance level for employee's and employee will make an improvement by knowing which part need to develop more in order to enhance the productivity. In essence, through the enlargement in both employee and employer in the way in conducting performance appraisal could be able to eliminate the issues in productivity.

1.8 Summary

This chapter introduces the reader to the background, research question, research objectives, scope, limitation, significance of study and key assumption. Hence, it is also outlined to the main problem that have been identified and on how the researcher conduct the research to discover the issues. Next chapter will be describing the findings based on literature study on performance appraisal system that generally given an impact to staff's productivity in automotive sector.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter reviews related empirical literature on the subject matter. The relevant literature will be reviewed under the following outline; the theory regarding to performance appraisal, the objectives, factor influences and issues occurred. This section will show how performance appraisal may impact the staff productivity in automotive company. Automotive company is selecting as the dimensions of research to study several of impact factor that can affect staff's productivity.

2.2 Proton as an Automotive Company

Manufacturing sector is a way of the goods-producing industries. In manufacturing, labour productivity equation is in order to control for systematic transformations in the dimension of labour productivity across various business in the manufacturing sector. According to manufacturing statistic Malaysia 2016, total employees engaged in the manufacturing sector in August 2016 was 1,028,091 persons, an increase of 0.2% or 1,548 persons as compared to 1,026,543 persons in August 2015.

Through, the assessment of employees' performance using performance appraisal system could affect the staff's productivity. Hence, by referring to (Suresh & Mohideen, 2013) performance appraisal is a continuous process in every large scale organization. Proton Company were the familiar brand from Malaysia that