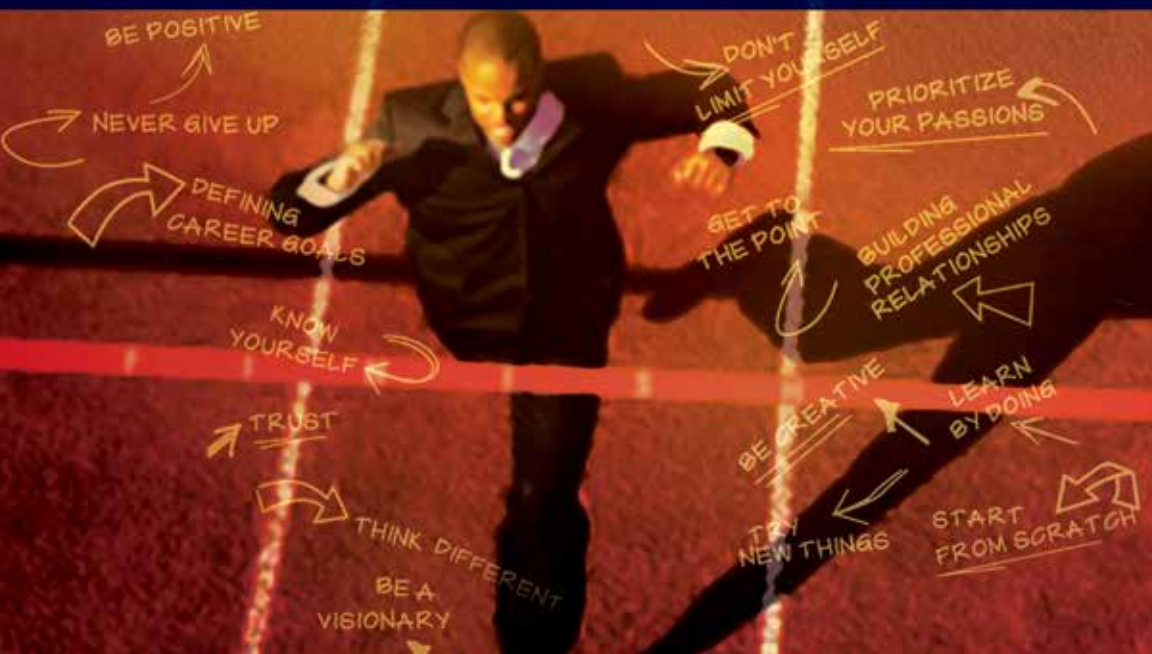




PERFORMANCE APPRAISAL SYSTEM FOR ORGANISATION

RUSLI AHMAD



PERFORMANCE
APPRAISAL SYSTEM
FOR ORGANISATION

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RUSLI AHMAD

Universiti Malaysia Sarawak
Kota Samarahan

Dedication

I dedicate this book to:

*Allahyarham my father: Haji Ahmad Haji Abdullah
(Passed away on 16 May 2003, may Allah give His mercy and forgiveness,
Al-Fatehah ...Aameen)*

My mother: Hajah Fatimah Saad

My wife: Hajah Shamsiyati Haji Shamsuddin

My children: *Fathi Rusli*
 Ahmad Fahmi Rusli
 Amina Rusli
 Abdul Mui'zz Rusli
 Ahmad Adam Rusli

*My parents-in-law: Haji Shamsuddin Haji Ismail
 Hajah Fatimah Mohammad*

And also to all my 'gurus' ... formal and informal

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PREFACE

The survival of an organisation depends very much on its employees as they are the ones who hold a vital role in ensuring its existence. Basically, there are three basic elements that exist in an organisation: materials, equipment and most importantly, manpower. Therefore, employees acting as the manpower in ensuring the smooth running of an organisation have become the ultimate asset in comparison with other resources. As a result, an employee's performance appraisal system (PAS) is a subject of great interest in any organisation. This is because, employee performance is capable of affecting workers' income, the fulfilling of their needs and expectancies and the quality of their work life. Money is one key factor that can influence workers' motivation and at the same time, act as an incentive for workers to stay loyal and devoted to their organisation. Due to this, it is then important for organisations to care for the workers' income and welfare. Fair and equal distribution of employees' performance practices is an important agenda in management because it has become a management tool for the confirmation of effectiveness and efficiency in organisations. It plays an important role in both workers' and organisational development, particularly in the areas of rewards, benefits, motivation, performance and productivity. Besides,

it also plays a key role in communicating values, promoting flexibility and maximising individual contributions to achieve organisational objectives.

In every organisation, employees play a vital role in determining its survival. An employee has become the ultimate asset and is the key or prerequisite to make sure the operation of the organisation or factory runs as planned. Linking the appraisal system to the reward system means that it can be used as a strategic tool by organisations. This can be a key factor in communicating values, promoting flexibility and maximising individual potentials and contributions to organisational objectives. Very often, if the employees are not happy with the organisation, this leads to job dissatisfaction in the form of complaints of unfairness, job absenteeism, low motivation, less productivity, early retirement, and other problems. This will injure the organisation and if serious can also affect the image of the organisation.

There are several reasons why the appraisal systems have become very popular and a management concern. One of the most important impacts of the appraisal activities is the salary, bonuses and other incentives accepted by each of the individual workers. The consequences of the performance appraisal exercise give direct or indirect impact to the workers behaviours at the work place and how they behave at their home. All the process involved determine workers' job commitment, attitudes, ways of thinking and their career path. Nobody can deny the positive and negative results as consequences from the performance appraisal activities.

The foremost reason to evaluate employee performance is because the organisation wants to find out if employees have the skills

required for the job they are currently undertaking. This helps identify the competency gaps. Competency gaps occur when employee's knowledge, skills and abilities (KSA's) need to be enhanced and improved to meet job expectations. Knowledge refers to prerequisites for thinking and action required to perform assignment necessarily to produce acceptable output. Skills refer to demonstrated level of proficiency of ability while ability refers attitudes and a natural talent or required proficiency required in the performance of work assignments. The organisation can then identify training and development (T&D) requirements. This exercise is undertaken to provide feedback on the last period's performance to both the superior as well as the employees themselves. On the basis of this, decisions are made such as whether to reward the employees in terms of promotion, salary hike, perks and bonuses, to give them a share in profit sharing and stock options or to take disciplinary action. The employee's strengths and weaknesses are highlighted, and then the company can take action such as transferring the employees to a department where their interests and skills are better suited.

In general the approaches of performance can be grouped into three categories: the administrative, the developmental and judgmental. Historically, information from performance appraisal have been used as a basis for administrative decision. Administrative uses of performance information continue to be the most frequent application of performance appraisal in the 1970's and 1980's. To summarise, the administrative approach in an organisation are for workforce planning, determining organisational training needs, evaluating goal achievement, assisting in goal identification, evaluating personnel system, reinforcing authority structure, and identifying organisational development needs.

The second approach is for developmental purposes. It is used to identify highly potential employees, identify training and development opportunities, develop ways to overcome obstacles and identify individual strengths and weakness. In this way performance appraisal activities can be seen as opportunities for the organisation to enhance, rethink or to restructure the spirit and the implementation of the system. Enhancement activities can be good to enrich and polish employees' performance. It also helps employees who need improvement because of their weakness and low job performance.

The last approach is for evaluation purpose. As for the judgmental appraisal approach, it is used for salary administration, promotion, retention or termination, recognition of individual performance, layoffs and identification of poor performers. In this way, performance appraisal decision is be used as an indicator for salary or wages increment or decrement. The amount money involved and determination of how many month bonus and wages increment are the focus here. In this context performance decision is a sensitive matter and a very important activity for everybody in the organisation. Appraisal decision is a crucial activity and must be accurate, acceptable, reliable and valid. It is important for an organisation to ensure that they are correct. Therefore a high quality PAS is very important in relation to make a wide range of personnel decisions in most organisation.

This book offers a holistic approach to study employees' appraisal. All important and relevant aspects of employees' appraisal are discussed at length using a communication style of writing. It is hoped that this approach will make this book more effective and beneficial to university student, government officer, human resource practitioner, policy maker, and all those who are really keen to know about

employee appraisal. This book will offer a good understanding of the performance appraisal issue in a broader perspective and it is hoped the readers will gain a lot of benefit from the knowledge offered. It is hoped also that further research or indepth study will be carried out by other researchers to give better understanding and explanation the performance appraisal issues.

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Praise is to Allah The Beneficent, The Merciful, for giving me the strength and courage to complete this book. In the first hand I would to highlight that this book is an outcome from research and teaching activities undertaken for more than 15 years in this area of study. Through my own observation and my reading, I found that this area of study is most significant and important if organisation wants to succeed in their future. This is because issues of performance, competency, quality and high level of achievement are the pulse and heart of any organisation if they want to survive in the 21st century. The impact of performance issues is really huge to the organisation survival and nobody can deny it.

First I would like to express my deepest gratitude and my hearty thanks to my wife, my children and my parents for their patience, support, understanding, tolerance and sacrifice. Without their constant love and support, this book would not have been possible. Second, I would like to express my deepest gratitude to Universiti Malaysia Sarawak for sponsoring my sabbatical leave at University of Bradford Management School, United Kingdom. With this opportunity my effort and initiatives to write book on this issue become reality.

Finally, I would like to thank all my academic colleagues at Universiti Malaysia Sarawak and University of Bradford Management School, United Kingdom for their help directly or indirectly during this challenging task. To Professor Arthur Francis, The previous Dean of University of Bradford Management School and Dr. David P. Spicer, your kindness and help is most appreciated. I learnt a lot from them and through the process, developed friendship and a strong drive to make this book a reality.

I hope this small contribution to the academic activities in this area of study will give a lot of benefit for the interested parties to gain knowledge, experience, skill and expertise in the area of employee appraisal and organisation survival. From this work I learnt a lot on how patience can make things happened. I also would like to highlight that nothing is impossible in this world to be done but with one condition, work hard and smart and make doa and tawakkal to God (Allah) for help.

Rusli Ahmad

1 January 2016

GLOSSARY

AWT	- Annual Work Target
BARS	- Behaviourally Achored Rating Scale
BES	- Behavioural Expectation Scale
BOS	- Behavioural Observation Scale
CEO	- Chief Executive Officer
CIR	- Continous Improvement Review
CIT	- Critical Incident Technique
CoPM	- Computerised Performance Monitoring
CPM	- Cognitive Processing Model
e-appraisal	- Electronic Appraisal
ECT	- Error of Central Tendency
EPM	- Electronic Performance Monitoring
EPS	- Earning Per Share

FRO	- First Rater Officer
FOR	- Frame of Reference
HRD	- Human Resource Development
HRM	- Human Resource Management
HRIS	- Human Resource Information System
ID	- Identification Data
ICT	- Information, Communication and Technology
KPI	- Key Performance Indicator
KSA	- Knowledge, Skill and Ability
KSI	- Key Success Indicator
MBO	- Management By Objective
MPS	- Malaysian Public Service
PAS	- Performance Appraisal System
P/E	- Price Earnings
ROI	- Return On Investment
TQM	- Total Quality Management

INTRODUCTION

It is my honour and esteemed pleasure to give my note in this book entitled Performance Appraisal System For Organisation. This topic is vitally important in management activity and organisation context because employee performance need to be measured closely and in systematic ways. In every organisation, employees play a vital role in determining its survival. Every employee in organisation their work performance to be measured in a very objective and professional ways by their superordinate. Without a proper way of measurement, performance appraisal results will be questioned by the employees and it will create a lot of problems in an organisation. Linking the appraisal system to the reward system means that it can be used as a strategic tool by organisations. This can be a key factor in communicating values, promoting flexibility and maximising individual potentials and contributions to organisational objectives. Very often, if the employees are not happy with the organisation, this will lead to job dissatisfaction in the form of complaints of unfairness, job absenteeism, low motivation, less productivity, early retirement, and other problems. This will injure the organisation and if serious can also affect the image of the organisation.

Without any doubt, officer or manager in organisation needs to perform this crucial task. If the decision process in appraisal system is undertaken in an improper manner, this will create errors and can affect other matters in the organisation. Therefore, there is a need to explore the whole aspects of this issue. As an example, a decision making process in performance appraisal is a critical area and especially about information processing involved. Details process involve the importance of explanation to give a better understanding and input on how decision-making is made in the organisation in general and specially in performance appraisal decision. This information can then be used to enhance the effectiveness of the decision making-process and help to create a good relationship between managerial group and employees in organisation.

Some managers in organisation treat performance appraisal process as a routine activity in organisation. It is true? A big change can be seen in this activity in today's organisations. Now, performance appraisal activity is the core work of supervisors at all levels. That means raters involved in the process need to be selected carefully who can do it and train them to do it well. We need to evaluate them on their performance at it. And we need to base rewards on how well they do it. Today, more than at any other time, employer, tax payer and citizens in the community expect accountability from the organisation that they find and from whom they receive services. Performance appraisal activity is important to increase accountability and to measure organisational output. This is because the test of organisation is in the spirit of performance. The spirit of performance requires that there be a full scope of individual excellence.

The main function or objective of a PAS is to develop performance of the employees and to expand excellent work behaviour and in the

long run to increase organisation production and the profit margin. Performance appraisal is a method of evaluating, summarizing and increasing the work performance of an employee. The benefit of using a PAS is to allow employees to see where they are at and managers are able to get valuable information from employees so the managers can help make their jobs more industrious. Annual appraisals are constantly a matter of headaches and dissatisfaction among employees. Employees usually find appraisal systems to be unfair and non reflective of their actual performance. Also for management it is a subject of anxiety. This is usually more so for organisations that are still trying to increase PAS's. However, appraisals must be done and they are significant for rewarding and maintaining talent. They are also important for drawing in talent as good PAS aids to build the employer brand.

The objective of this book is to assemble input from various sources: theory, practice and research outcome for better understanding on the employee's appraisal activity in an organisational context. It is my hope that some of the results of this initiative will engender a good move to all interested parties to gain more exposure, knowledge and experience about the subject matter.

I wish to express my congratulations and appreciation to the author for this positive effort by writing this book.

Professor Dr Maimunah Ismail
Universiti Putra Malaysia

PART 1

A MACRO PERSPECTIVES

1

EMPLOYEES APPRAISAL

INTRODUCTION

The management world is becoming more competitive and challenging, and facing new realities and unique events nowadays. As a result, change is taking place in many organisations and is becoming central to the management agenda. These changes can be caused by both internal and external factors. The changes from internal factors are initiated by the top management. In line with these changes, the work environment also changes, and relationship between workers and the organisation becomes more complex. However, workers and the organisation need to work together to achieve the vision and mission of the organisation. A good relationship between organisation and worker is very important, not only for the productivity and efficiency of the organisation, but also to make sure workers' motivation and their satisfaction are at the highest level.

PERFORMANCE APPRAISAL SYSTEM FOR ORGANISATION

In every organisation, employees play a vital role in determining its survival. Every employee in organisation wants their work performance to be measured in a very objective and professional ways by their superordinate. Without a proper way of measurement, performance appraisal results will be questioned by the employees and it will create a lot of problems in an organisation. The main function or objective of a PAS is to develop performance of the employees and to expand excellent work behaviour and in the long run to increase organisation production and the profit margin. Performance appraisal is a method of evaluating, summarizing and increasing the work performance of an employee. The benefit of using a PAS is to allow employees to see where they are at and managers will be able to get valuable information from employees so the managers can help make their jobs more industrious. Annual appraisals are constantly a matter of headaches and dissatisfaction among employees. Employees usually find appraisal systems to be unfair and non reflective of their actual performance. Also for management it is a subject of anxiety. This is usually more so for organisations that are still trying to increase PAS's. However, appraisals must be done and they are significant for rewarding and maintaining talent. They are also important for drawing in talent as good PAS aid to build the employer brand.



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