

**THE RELATIONSHIP BETWEEN THE EMPLOYEES' PERCEPTION
TOWARDS PERFORMANCE APPRAISAL SYSTEM
AND WORK PERFORMANCE IN A
TELECOMMUNICATION COMPANY
IN KUCHING, SARAWAK.**

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ABSTRACT

The purpose of this study is to look into the relationship between the employees' perception towards the performance appraisal system in Celcom Sdn. Bhd. related to their perception towards work performance in the organization. Two factors between the dependent and independent variable were investigated to identify the differences and its effect towards the organization's achievement, goals, and mission. The dependent variable in this study is the employees' perception towards work performance while the independent variable comprises of the demographic characteristics and the factors of employees' perception towards performance appraisal system, which includes general perception, benefit, value, effectiveness, needs, and evaluation of performance appraisal. This study was carried out in Celcom Sdn. Bhd. Kuching Branch. A total of 85 respondents were taken as samples out of the total population of 225 staffs of all level in Celcom. The data was collected through the distribution of questionnaire.

The data of this study was analyzed by using the SPSS version 10.0 where three methods of descriptive statistics, Pearson's Product Moment Coefficient of Correlation, *t*-test, and One-way ANOVA was used. The results of the Pearson Correlation Coefficient revealed that there is no significant difference between the employees' demographic characteristics and their perception towards work performance.

The result of the Pearson 'r' correlation on the employees' perception towards work performance and the 6 factors of employees' perception towards performance appraisal system are; general perception ($r = 0.8049, p > 0.05$), benefit ($r = -0.033, p > 0.05$), value ($r = -0.111, p > 0.05$), effectiveness ($r = -0.115, p > 0.05$), needs ($r = -0.094, p > 0.05$), and evaluation ($r = 0.000, p > 0.05$). The result also shows that there is no significance differences between the employees perception factors towards performance appraisal system and their perception towards work performance.

ABSTRAK

Kajian ini bertujuan untuk mengenal pasti perhubungan di antara persepsi pekerja terhadap sistem penilaian prestasi kerja pekerja dengan persepsi terhadap prestasi kerja di Celcom Sdn. Bhd. Faktor demografi pekerja yang merangkumi jantina, umur, tempoh perkhidmatan, jenis tugas, dan kelayakan akan dikaji sama ada ianya mempunyai perhubungan dengan persepsi prestasi pekerja dalam organisasi ini. Faktor persepsi umum, faedah, nilai, keberkesanan, keperluan, dan penilaian juga akan diukur untuk mengenal pasti perhubungannya terhadap persepsi prestasi kerja pekerja. Kajian ini dijalankan di Celcom Sdn. Bhd. Cawangan Kuching dimana seramai 85 responden akan dikaji daripada jumlah populasi seramai 225 orang. Pengumpulan data adalah diperolehi melalui borang soal selidik.

Data kajian ini kemudiannya dianalisis dengan menggunakan SPSS versi 10.0 dengan menggunakan kaedah-kaedah termasuk gambaran statistik, 'Korelasi Pearson', 't-Test' dan 'One-way ANOVA'. Keputusan korelasi pearson menunjukkan bahawa tiada sebarang perhubungan diantara faktor demografi pekerja dengan persepsi prestasi kerja pekerja. Keputusan analisis juga menunjukkan bahawa tiada sebarang perhubungan di antara tanggapan pekerja terhadap persepsi umum, faedah, nilai, keberkesanan, keperluan, dan penilaian terhadap tahap persepsi prestasi kerja pekerja.

Keputusan korelasi Pearson ke atas persepsi prestasi kerja pekerja adalah seperti berikut; Persepsi umum ($r = 0.8049$, $p > 0.05$), faedah ($r = -0.033$, $p > 0.05$), nilai ($r = -0.111$, $p > 0.05$), keberkesanan ($r = -0.115$, $p > 0.05$), keperluan ($r = -0.094$, $p > 0.05$), dan penilaian ($r = 0.000$, $p > 0.05$). Ini menunjukkan bahawa tiada sebarang perhubungan di antara 6 faktor tersebut di atas dengan persepsi prestasi kerja pekerja. Oleh yang demikian hipotesis yang menyatakan tiada perhubungan di antara persepsi prestasi kerja pekerja dengan persepsi pekerja terhadap 6 faktor tersebut adalah diterima.

CHAPTER 1

INTRODUCTION

1.0. Introduction.

This study attempts to look into the relationship between the employees' perception towards performance appraisal system related to their perception towards work performance in Celcom (M) Sdn.Bhd. Celcom Sdn.Bhd. is an organization dealing with the telecommunication industry, which is competitively among the most challenging company in the country. Employees' perception towards the performance appraisal system plays an important role as it can influence the employees' perception towards work performance and could lead to the low productivity to the company.

Celcom Sdn. Bhd., as it was first established since 1998 was the second largest communication organization after the Telekom Sdn. Bhd. Thus, employees innovative work performance is very much needed in the organization to meet the needs and customers wants especially in the telecommunication industry so much so that they can develop and designed the high technology demanded by telecommunication users throughout the country.

The performance appraisal system used by the company was developed ever since the company begins its operation in January 5, 1988. The Celcom Performance Management System is implemented in three phases;

- (i) Establishing Direction – At the start of the performance cycle, performance is *mutually planned and agreed upon*.
- (ii) Ensuring Success – Throughout the circle, performance is monitored, and adjustments are made to keep it on track.
- (iii) Encouraging Progress – At the end of the circle, performance is compared to the plan, with an emphasis on successes and continuous improvement.

The Celcom's Performance Cycle concentrates on the skills and behaviors needed for success. Stresses the benefits of coaching people to demonstrate these behaviors. Addresses process improvement by emphasizing how objectives must be achieved. Functions all the time, it's not a one-time goal-setting and appraisal process. Thus, quality of product and services is the most important factors to consider. Therefore, an effective appraisal system should be seriously considered. The company should from time to time ensure that the appraisal process is being done openly but following the most appropriate methods.

Harry Levinson (1991) in "Appraising Performance Appraisal", pointed out that; It may be stretching it a bit to argue that the epigram "Its not the winning or losing that counts, but how you play the game" ought to be strictly followed in designing performance appraisal systems. In business, results are important, and a few would disagree. What the epigram point out, however, is that some result are not worth the means some take to achieve them. Nonetheless, most performance appraisal systems in most companies focus on results of behavior while in reality people are judged just as much on how they get things done. Harry Levinson argue that in order for a company to have a performance appraisal system that accounts for the "how" as well as the "what", it will need to establish; job descriptions that are behavior as well as results-oriented; a critical incident program in which managers write reports regularly on the behavior of their employees, and support mechanisms to help managers honestly appraise the behavior of their employees as well as of their bosses.

Performance appraisal has three basic functions: to provide adequate feedback to each person on his or her performance; to serve as a basis for modifying or changing behavior towards more effective working habits; and to provide data to managers with which they may judge future job assignments and compensation. The performance appraisal concept is central to effective management. Much hard and imaginative work has gone into developing and refining it.

In most organizations, the human resource department is responsible for co-coordinating the design and implementation of performance appraisal programs. However, an essential element is that line managers play a key role from beginning to end. These individuals will likely have responsibility for actually conducting the appraisals, and they must directly participate in the program if it is to succeed.

Celcom Sdn. Bhd. had focus on the key principles by building effective performance. The key principles are a set of generic communication skills that address these needs which include; maintain or enhance self-esteem, listen and respond with empathy, ask for help and encourage involvement, share thoughts, feelings, and rationale. The company believes that key principles are powerful tools. When used effectively, they send an important message that are committed to building confidence, instilling trust, and providing whatever it takes for people to do their jobs as competently as possible.

A good organization runs itself. That's not as far fetched as it sounds. People in this kind of organization actually take charge and manage their own performance; they participate in making decisions about their jobs and in setting and achieving performance objectives. They form a solid foundation for getting that kind of participation at the beginning and throughout the performance cycle. People do better job when they believe in themselves and their abilities. They take personal satisfaction in their work, they're more committed to achieving their objectives, and they demonstrate dimensions with greater confidence. They're also likely to have the confidence they need to be innovative and independent. A basic rule for managers is, *"Pass the pride down", people like to create when they can earn recognition for their ideas. When a good idea surface, the creator's immediate supervisor should show prompt appreciation."*

Reviewing performance in Celcom has to go through the establishing direction and ensuring success phases, so the review discussion in the *Encouraging Progress phase* held to;

- (a) Summarize how actual performance compared to the level of performance to which the employee agreed.
- (b) Recognize major strengths.
- (c) Agree on ways to improve performance that fell short of objectives.
- (d) Approach the coming performance cycle with an emphasis on continued improvement and development.

The company had implement their most effective ways in ensuring their employees to adopt positively the performance appraisal system. The senior management officer as well as the appraisee who evaluate directly upon the employees from time to time played their important roles to ensure that they had sufficient information about their employees performance by monitoring and guiding them based on their job assignment.

Celcom Sdn. Bhd. had adopted the Key Principles as describe below;

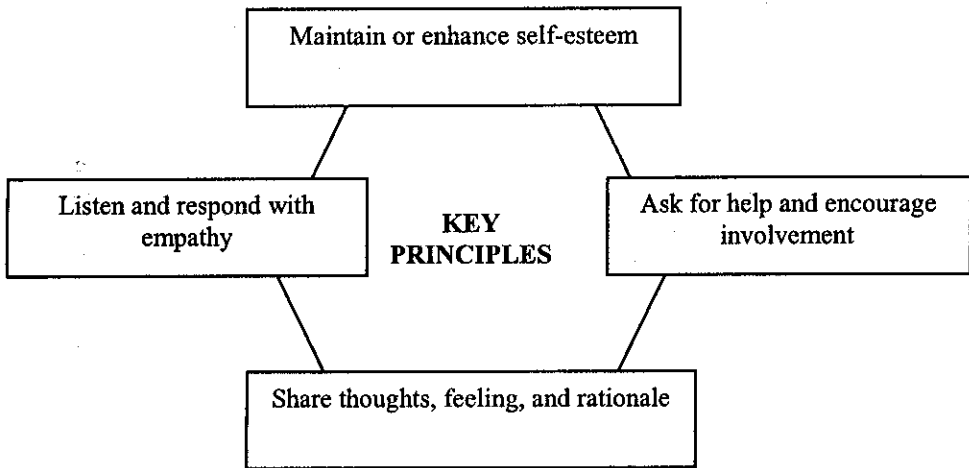


Figure 1.1. Key Principles – Celcom Strategies for Productive Interactions.

Source: Celcom Key Principles and Discussion Guidelines.

When using this Key Principle, it's important to know the difference between 'maintaining' and 'enhancing' self-esteem. Maintaining self-esteem means not destroying people's self confidence. This is especially important when you coach to improve performance or evaluate less-than-acceptable performance during a review discussion.

1.1. Background of the Study.

Performance appraisal within management ranks has become standard practice in many companies and is currently being adopted by many organizations. In Malaysia for example, the introduction of the new performance appraisal approach known as *The New Matrix System* introduced in 1992 has its new format in appraising employees' performance. A performance appraisal provides an opportunity for communication between the person who assigns the work and the person who performs it, to discuss what they expect from the other and how well those expectations are being met. In order to be effective, organizations need to have a clear mission and good management of performance to ensure that the mission is achieved. The concept of the performance cycle and an understanding of the supporting policies and processes which make the cycle work effectively is a way of helping managers and organizations achieve their mission by good performance management. According to John Lockett (1992) in his book *'Effective Performance Management'* stresses that; Management of performance is the key task for organizations and individuals today; a critical factor if the organization is to compete in today's turbulent market place.

The Celcom Sdn. Bhd. performance appraisal system provides employees with recognition for their work efforts. The power of social recognition as an incentive has been long noted. This alone can have positive influence on the individual's sense of worth, commitment and belonging. The Celcom employee evaluation task, though often understated or even denied, evaluation is a legitimate and major objective of performance appraisal.

The need to evaluate is also an ongoing source of tension, since evaluative and developmental priorities appear to frequently clash. Though the organization has a clear right, some would say a duty to conduct such evaluations of performance, many still recoil from the idea. To them explicit process of judgment can be dehumanizing and demoralizing and a source of anxiety and distress to employees.

As stated by Mondy (1999), through his article on *'A Global Perspective'* on Global Performance Appraisal; factoring in appropriate employee behaviors discuss that, A performance appraisal system mandates a formal periodic review and evaluation of an employee's job performance. A general management survey on perceptions of national management style was given to 707 managers representing diverse industries from the United States, Indonesia, Malaysia and Thailand. Result from the survey items relating to the design of performance appraisal systems revealed significant differences in the management styles of these countries. Such differences may translate into distinct differences in the optimal management of performance appraisal, thus suggesting important reservations about the transferability of traditional performance appraisal principles across cultural boundaries.

The development of an appropriate global performance appraisal system will undoubtedly be a complex process, but an effective global system is essential for credible employee evaluations. What usually works in one culture might be considered weak in another. A unique aspect of global performance appraisal is the need to factor in how to properly develop appropriate employee behaviors that accomplish global objectives. Sprint's appraisal system faced this challenge when the company's managers were determining how to keep 48,000 worldwide employees focused on the bottom line in the rapidly changing, intensely competitive telecommunications industry.

In Sprint's performance appraisal system, raters look at the importance of employee behavior in achieving objectives. Appraisals measure and reward employees both on what they achieve and how they achieve it. Basically, to achieve a satisfactory performance appraisal, an employee must meet established objectives and demonstrate expected behaviors in accomplishing these objectives. If an employee meet his objectives but does not demonstrate the expected behaviors he may not receive a salary increase or incentive compensation.

According to Archer North's & Association (1998), performance appraisal may be defined as a structured formal interaction between a subordinate and supervisor, that usually takes the form of a periodic interview annual or semi-annual, in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development. In many organizations, but not all, appraisal results are used, either directly or indirectly, to help determine reward outcomes. That is, the appraisal results were used to identify the better performing employees who should get the majority of available merit pay increases, bonuses, and promotions.

By the same token, appraisal results are used to identify the poorer performers who may require some form of counseling, or in extreme cases, demotion, dismissal or decreases in pay. Whether this is an appropriate use of performance appraisal, the assignment and justification of rewards and penalties is very uncertain and contentious matter. Few issues in management stir up more controversy than performance appraisal. There are many respected sources, researchers, management commentators, psychometricians, who have expressed doubts about the validity and reliability of the performance appraisal. Some have even suggested that the process is so inherently flawed that it may be impossible to perfect it, Derven (1990).

At the other extreme, there are many strong advocates of performance appraisal. Some view it as potentially, "...the most crucial aspect of organizational life" (Lawrie, 1990). Between this two extremes lie various school of belief, while all endorse use the use of appraisal, there are many different opinions on how and when to apply it. This group believes that the linkage to reward outcomes reduces or eliminates the developmental value of appraisals. Rather than an opportunity for constructive review and encouragement, the reward-linked process is perceived as judgmental, punitive and harrowing.

1.2. Problem Statement.

Every organization needs an efficient means for managing performance appraisals. Most of the organization consider the importance of performance appraisal as a tools and instrument to evaluate their employees' perception towards work performance and their contribution to the organization as a whole. Different organization has different performance appraisal system and processes. In Malaysia for example the public sector had implemented the New Matrix System (SSB) in the year 1992. Since then, the private sectors too, had their own new approach in performance appraisal system where they stresses more on their *Key Result Areas*. Celcom (M) Sdn.Bhd., is one of the telecommunication company who regards the performance appraisal as an important tool to evaluate and to improve employees' work performance. Besides that, Celcom had spent so much money in developing the most appropriate performance appraisal system for the company.

Although the performance appraisal system had been designed to develop the most appropriate instrument in measuring perceived work performance, nevertheless, they had been problems of unsatisfied employees towards the implementation of the system. Employees had difference perception towards the performance appraisal system. Those employees who had a high score of performance appraisal considered the system as efficient and effective and perceive it positively. Employees who had a positive perception are more motivated to perform their work whereas employees who had a negative perception consider the system as bias, not properly implemented, and not an appropriate ways to evaluate employees' perception towards work performance (Gabris & Mitchell, 1989).

Employees' negative perception towards the performance appraisal system will affect their perception towards work performance, demotivated, and cause poor performance. Lawrie (1990) considered performance appraisal as the most difficult and critical aspect in an organization. According to Derven (1990), there's so many sources as an evidence such as researchers, managers, and psychometric experts who are not confident on the effectiveness and efficiency of the performance appraisal system. Some considered that the system are bias, not fairly implemented, and develop a negative perception towards the system.

Performance appraisals can be productive, threatening, dreaded, and reassuring. They may be given to achieve various organizational goals. Performance appraisal are most certainly delivered by those supervisor or appraisers with diverse management experienced and skills. Evaluation of employee performance, which may be objectively or subjectively perceptual based, is many times perceived as a necessary event in today's public sector organizations.

Therefore, the study will focus on the following general research questions;

- (i) what are the employees' general perception towards performance appraisal system implemented by their superior in their organization?
- (ii) What are their perception towards the benefit of performance appraisal system to their perceived work performance?
- (iii) Do employees' perception towards the value of performance appraisal system affect their perception towards work performance?
- (iv) How do they perceive the effectiveness of the performance appraisal to their perception towards work performance?
- (v) What are the employees' perception towards the performance appraisal needs and their relationship of their perceived work performance.
- (vi) Do their perception towards the evaluation of performance appraisal influence their perception towards work performance in the organization?

1.3. Objectives of the Study.

- i. To identify the employee's general perception towards the performance appraisal system in the organization.
- ii. To determine the employees' perception towards the benefit of performance appraisal system with their perception towards work performance in the organization.
- iii. To identify the employees' perception towards the value of the performance appraisal system with the employees' perception towards work performance.
- iv. To identify the employees' perception towards the effectiveness of the performance appraisal system related to the employees' perception towards work performance.
- v. To identify the employees' perception towards the performance appraisal needs with their perception on work performance.
- vi. To determine the employees' perception towards the evaluation of performance appraisal system with the employees' perception towards work performance.
- vii. To identify the relationship between the demographic factors and employees' perception towards work performance.

1.4. Conceptual Framework.

This study attempt to identify the variables between the factors of employees' perception on the performance appraisal system that may influence their perception towards work performance in the organization. The independent variables include six factors of employees' perception towards performance appraisal system in Celcom Sdn. Bhd., and the employees' demographic characteristics are to be analyzed.

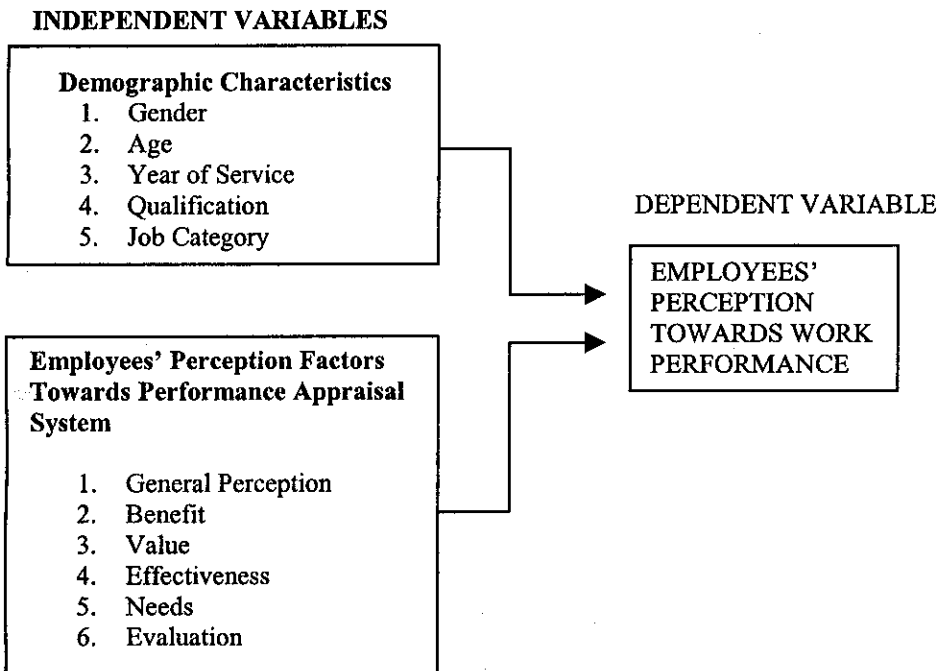


Figure 1.2: Research Framework Model.

As shown in Figure 1.2, all the six factors which form the independent variables of the performance appraisal system, which includes general perception, effectiveness, benefit, value, evaluation and needs will be tested against the dependent variable. The employees demographic characteristics which includes gender, age, job category, qualification, and experience which also form the independent variables in this study, will also be tested against the dependent variables, that is the employees' perception towards work performance. The scores on the independent variables will be ranked to determine the levels of employees' performance as low, moderate or high.

Therefore, this study attempt to look into the relationship between the employees' perceived work performance related to their perception towards performance appraisal system. The perception factors in the study will analyze the relationship and its influences towards the dependent variable. The employees perception's towards performance appraisal will be judge at a negative or positive perception. Negative perception could lead to a poor work performance while positive perception can develop a better work performance.

Perception of employees towards performance appraisal system plays important roles in contributing performance at work place. Employees with a positive attitude can create a conducive work place environment thus, achieved better results. The employees' perception on the benefit of performance appraisal system in the organization can also influence their perception towards work performance. If the employees consider that the system is of less benefit, it can influence their perceived work performance. Employees' perception towards the value and the effectiveness of the performance appraisal system implemented by the employer can lead to a better work performance while the needs and evaluation of performance appraisal are very important. These factors usually influence employees' perception towards work performance in any organization.

1.5. Research Hypotheses.

- Ho1: There is no difference between male and female employees in terms of their perception towards work performance.
- Ho2: There is no difference between the employees' age and their perception towards work performance.
- Ho3: There is no difference between their year of service and their perception towards work performance.
- Ho4: There is no difference between the employees qualification to their perception towards work performance..
- Ho5: There is no difference between the employees' job category to their perception towards work performance.
- Ho6: There is no relationship between employees' perception towards work performance and their general perception towards performance appraisal system
- Ho7: There is no relationship between the employees' perception towards work performance and their perception towards the benefit of performance appraisal.
- Ho8: There is no relationship between the employees' perception towards work performance and their perception towards the value of performance appraisal system.
- Ho9: There is no relationship between the Employees' perception towards work performance and their perception towards performance appraisal effectiveness.
- Ho10: There is no relationship between employees' perception towards work performance and their perception towards the needs of performance appraisal system.
- Ho11: There is no relationship between employees' perception towards work performance and their perception towards the evaluation of performance appraisal system.
- Ho12: None of the six independent variables have a significant influence to the dependent variables of employees' perception towards work performance.

1.6. Significance of the Study.

This study attempts to look into the factors that affect the employees' perception towards work performance in related to their perception towards performance appraisal system in Celcom (M) Sdn. Bhd. Thus it serves as an important source of information to the organization in improving their human resources management practice especially in appraising their employees. The performance appraisal system in Celcom like any other organization faced the problems of unsatisfaction of employees towards the performance appraisal system.

The findings of this study therefore, will provide fair information, as they are based on the views and perception of the employees themselves on their opinion towards appraisal system and how they are related to their perception towards work performance.

Through this study it attempts to identify the truth and reality on factors that influence employees' perception towards work performance in the organization. This should then revealed to the organization's appraisers of what they are lacked and what they should have practiced to perform an effective performance appraisal for both the system and the process to enhance effective evaluation based on the organization's objectives.

The research will look through what, where, when, why and how the techniques and methods in the performance appraisal system affect their employees' perception towards work performance. The study also keens to look onto several alternatives to the present key result areas by Celcom where the problems can be solved. This study will help the HRM manager of the company to look into the best solution that could improve the performance appraisal process in order to achieve outstanding and a high quality product and services.

1.7. Operational Definition of Terms.

The operational definition of terms in this study is defined based on related references and the entire study that is the Celcom Sdn. Bhd.

1.7.1. Perception.

In this study '*perception*' refers to employees' interpretation and impression towards the performance appraisal system within their organization. This perception is constructed based on the employees, background knowledge and several other factors relating to their perception towards performance appraisal system. This study is based on the perception of employees towards the performance appraisal system in Celcom Sdn. Bhd.

The perception of the employees towards performance appraisal system in Celcom is classified as either positive or negative which will determine whether it influenced their perception on work performance in the organization. This is a very important factor to be considered in the organization especially in Celcom because they are dealing with consumers' needs and expectation so much that they have to develop a positive perception in order to contribute quality work performance to produce quality products and services.

1.7.2. General Perception.

The general perception in this study refers to the employees' perception of Celcom Sdn. Bhd. as a whole towards the performance appraisal system implemented in the company, and how they react to the performance appraisal system in the organization. General perception of the employees in Celcom plays an important roles in developing the organization's goals and objectives. Employees' perception towards the performance appraisal system can determine positive perception towards work performance.

It is important that the employees of the organization have a positive perception towards the performance appraisal system and work performance as to achieve the organization's goals and objectives. Since the company is competitively marketing their services in the telecommunication industry, therefore every employee in the organization have to contribute and play their roles in achieving the organization's goals.

1.7.3. Perception towards the Benefit of Performance Appraisal System.

Perception towards the benefit of performance appraisal system in this study refers to either the additional financial rewards or non-financial rewards the employees of Celcom gained from the performance appraisal system and which generally are not paid directly. Thus, the study on the employees' perception towards benefit of performance appraisal system is analyzed through the employees' feedback on how they perceive the system in terms of financial and non financial rewards such as giving of bonuses, leave, holiday tours, recognition, career development, and other form of rewards.

Most organizations recognize their responsibility to provide their employees with insurance and other programs for their health, safety, security, and general welfare. These benefits include all financial rewards that generally are not paid directly to the employee.

1.7.4. Perception towards the Value of Performance appraisal system.

Perception towards the value of performance appraisal system in this study refers to the performance appraisal value includes, employees' responsibility, recognition, salary increment, job security, promotion, and training opportunity. Thus, the value is related to the employee's perception towards value of the performance appraisal system that is related to their perception towards work performance. Those employees who positively valued the performance appraisal system could create a positive working environment and those employees who had a negative perception towards the value of performance appraisal system could resulted to a negative perception towards work performance. According to Peters and Austin (1985), another way to encourage continued effective performance is through *value shaping*. They argue that values can serve as guides for behavior that help employees know what is expected and how to behave.

1.7.5. Perception towards the Effectiveness of Performance Appraisal System.

Perception towards the Effectiveness of performance appraisal system in this study refers to the appraisers' effectiveness and efficiency in implementing their performance appraisal evaluation in Celcom. The effectiveness of performance appraisal system was based on the employees' perception towards the evaluation made such as their participation with their supervisor, employees' relationship in the organization, accountability and other aspects, which develop positive results. Effectiveness of performance appraisal in this study attempts to look into the overall results of the findings based on the respondents' feedback. The effectiveness was judge by the degree of satisfaction of employees towards the performance appraisal system in the organization.

Effectiveness, according to John Lockett (1992), is a comparison of outcomes against strategic objectives, in other words, does the organization achieve what it set out to achieve. Efficiency is not important if the organization is not achieving the expected outcomes; quality is not important if the organization cannot achieve quality within cost constraints; cost effectiveness may lack an effective set of strategic objectives to drive long-term effectiveness. To be effective, organizations need to balance inputs, outputs and outcomes in order to ensure that they remain effective.

Organizational performance is affected by efficiency, quality, responsiveness, cost effectiveness and overall effectiveness. The aim of efficiency is to get more output for the same input. Quality is a measure of both output and process while responsiveness refers to effective feedback mechanism from the external environment that enables the organization to react quickly. Cost effectiveness is a comparison between outcomes and their relation to inputs.

1.7.6. Perception towards the Performance Appraisal System Needs.

Perception towards the performance appraisal system needs in this study refers to the employees' needs towards the performance appraisal system in Celcom. Therefore, this study analyzed the employees' perception towards performance appraisal system needs related to their perception towards work performance in the organization. Chris Argyris, (1964), sees a fundamental dichotomy between individual and organizational needs, and because individuals by nature tend to place their own needs before those of the organization, neither their needs nor of the organization are optimally fulfilled. Kirkpatrick (1977) listed four "simple approaches" to needs analysis which include performance appraisal, survey of needs, testing, and advisory committees.

1.7.7. Perception towards the Evaluation of Performance Appraisal.

The perception towards the evaluation of the performance appraisal in this study refers to how the employees of the company perceive the evaluation made by the appraisers of Celcom during the performance appraisal evaluation period. This study attempts to identify whether the evaluation instrument used is appropriate or whether the evaluation methods imposed by the appraisers were fairly implemented or not. System for evaluation and appraising performance are important elements in many systems for managing human resources and organizational control. Human Resource Development evaluation is defined as " the systematic collection of descriptive and judgmental information necessary to make effective training decisions related to the selection, adoption, value and modification of various instructional activities. Better and more informed decision-making is an important benefit of conducting an HRD evaluation. Building credibility is a key aspect of conducting an evaluation.

1.7.8. Perception towards Work Performance

Perception towards work performance in this study refers to how the employees of the organization interpret and impressed the work performance in Celcom (M) Sdn.Bhd. Kuching, Sarawak. The company consider employees' perception towards work performance as their main key areas to achieved continuous excellent results, thus, obtained high output for the organization, the employees' perceived work performance was rated based on the following rating scale;

1 - Unacceptable Performance.

Well below requirements for acceptable performance. Substantial improvements must be shown to remain employed.

2 - Towards Competency.

Performs most accountabilities acceptably. Some significant areas still need consistency in meeting all requirements.

3 - Fully Competent.

Completely acceptable performance of an experienced person in this position.

4 - High Performance.

Performance is above expectation for the position. Exceeds expectations in some areas.

5 - Outstanding.

Way above accepted performance. Has significant impact on Celcom's goals.

The organization are from time to time keeping performance reviews positive. The organizational key themes are continuous improvement and development. The employees' work performance were reviewed through discussion which depends on the quality of coaching, reinforcing, feedback, and data collecting that has taken place throughout the year.

1.7.9. Performance Appraisal System.

In this study the *performance appraisal system* refers to the performance appraisal system designed by Celcom Sdn.Bhd where the organization stresses more on the KRAs (Key Result Areas). The organization has set up their key to effective performance measurement where all clearly defined objectives which meets five criteria; measurable, time bound, within influence, realistic, and understandable. Using these guidelines leads the appraisers to fair, clear, and equitable objectives.

According to Mondy, (1999), Identification of specific goals is the starting point for the performance appraisal process. An appraisal system probably will not able to serve every desired purpose effectively. Therefore, management should select the specific appraisal goals it believes are most important and can be realistically achieved.

For example, some firms may want to stress employee development, other organizations may want to focus on administrative decisions, such as pay adjustments. Too many performance appraisal systems fail because management expects too much from one method and does not determine specifically what it wants the system to accomplish.

1.7.10. Supervisor.

Supervisors in this study are the immediate supervisor who plays an important role in the employee's work life, delegating tasks and responsibilities, setting expectations, evaluating performance, and providing feedback, rewards, and discipline. In Celcom Sdn.Bhd., the supervisors are those who had been appointed based on their experiences and knowledge which includes the head of departments.

As stated by Mondy (1999), an employee's immediate supervisor has traditionally been the most common choice for evaluating performance. The supervisor is usually in an excellent position to observe the employee's job performance. The supervisor has the responsibility for managing a particular unit. When the task of evaluating subordinates is given to someone else, the supervisor's authority may be undermined. Finally, subordinate training and development is an important element in every manager's job, and appraisal programs and employee development are most often closely related.

It is important that the supervisor be well-informed and credible. Supervisor who appraise employee should feel comfortable with the techniques of appraisal, and should be knowledgeable about the employee's job and performance. When this condition exist, employees are more likely to view the appraisal process as accurate and fair. They also express more acceptance of the appraiser's feedback and a greater willingness to change. (Bannister, 1986).

It is the supervisor's responsibility to ensure that his or her unit meets its goals, and that means ensuring that employees perform their task effectively. The supervisor delegates assignments, establishes standards, and monitors performance, and is therefore uniquely equipped with sufficient information, opportunity, and authority to carry out coaching effectively.

Although team members may have the information and opportunity to function as coaches, they may lack the authority to do so. One of the challenges of using self-managed teams is to define the role for the manager or supervisor to whom the team reports. Often, one of the primary roles of managers and supervisors in team-based organizations is that of coach (Geber, 1992; Wellins, Byham, & Wilson, 1991).

1.8. Limitation of Study.

This study focuses only on the staff of Celcom Sdn. Bhd. a well established telecommunication company. Thus, the findings will only reflect the employees' perception. The samples taken are from five main department of the company which comprises the Human Resource Department, the Marketing Department, Customer Service, Finance Department, and the Technical Department. The respondents of these five department of Celcom Sdn.Bhd. were obtained from their four outlets in Kuching. There are from the Satok Branch, Jalan Daar Branch (Crown Tower), Pending Branch, and Twin Tower Branch. Celcom (M) Sdn.Bhd. is a very competitive business organization dealing with telecommunication. Thus, there's several limitations which is a constrain to the researcher. The limitation of study includes;

1.8.1. Restricted information and References.

The company cannot reveal their employees' personal particulars in which it is sometimes important to study the problems. The company also does not allow the researcher to look into employee's records of work. This means the researcher will not be able to study their past records.

1.8.2. Respondents and Population .

The population of the study is confined to employees within the Kuching branch and the state headquarters only. Thus, a more detail feedback would be very difficult.

1.9. Summary.

This study is an attempt to consolidate observations and to determine the relationship between the employees' perception towards the performance appraisal system of Celcom Sdn.Bhd. Kuching, Sarawak and their work performance. Dealing with telecommunication, the company need to motivate every workers so to achieve the company's goals.

CHAPTER 2

LITERATURE REVIEW

2.0. Introduction.

There are several literature review that is most appropriate to this study which stress on the factors that lead to the dissatisfaction of employees with the Celcom. These literature review will be used to make a comparison in this study as they are a similar research.

2.1. Performance Appraisal.

Performance Appraisal is a system of review and evaluation of an individual's or team's job performance. Performance appraisal has three basic functions which include; to provide adequate feedback to each person on his or her performance, to serve as a basis for modifying or changing behavior toward more effective working habits, and to provide data to managers with which they may judge future job assignments and compensation. The performance appraisal concept is central to effective management. Much hard and imaginative work has gone into developing and refining it. In fact, there is a great deal of evidence to indicate how useful and effective performance appraisal is. Yet present systems of performance appraisal do not serve any of these functions well.

There is, says Dulewicz, (1989), "... a basic human tendency to make judgments about those one is working with, as well as about oneself." Appraisal, it seems, is both inevitable and universal. In the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others, including subordinates, naturally, informally and arbitrarily.

The human inclination to judge can create serious motivational, ethical and legal problems in work place. Without a structured appraisal system, there is little chance of ensuring that the judgments made will be lawful, fair, defensible and accurate. Performance appraisal systems began as simple methods of income justification. That is, appraisal was used to decide whether or not the salary or wage of an individual employee was justified. The process was firmly linked to material outcomes. If an employee's performance were found to be less than ideal, a cut in pay would follow. On the hand, if their performance was better than the supervisor expected, a pay rise was in order.

Little consideration, if any, was given to the developmental possibilities of appraisal. It was felt that a cut in pay, or a rise, should provide the only required impetus for an employee to either improve or continue to perform well. Sometimes this basic system succeeded in getting the results that were intended, but more often than not, it failed. For example, early motivational researchers were aware that different people with roughly equal work abilities could be paid the same amount of money and yet have quite different levels of motivation and performance.

Modern Appraisal – Performance appraisal may be defined as a structured formal interaction between a subordinate and supervisor, that usually takes the form of a periodic interview in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development.

2.2. Performance Appraisal Methods.

In a landmark study, Locher & Teel (1977) found that the three most common appraisal methods in general use are rating scales (56%), essay methods (25%) and results-oriented or MBO methods (13%). Certain techniques in performance appraisal have been thoroughly investigated, and some have been found to yield better results than others. *Encourage Discussion – Research studies show that employees are likely to feel more satisfied with their appraisal result if they have the chance to talk freely and discuss their performance. It is also more likely that such employees will be better able to meet future performance goals.* (Nemeroff & Wexley, 1979)

Constructive Intention – It is very important that employees recognize that negative appraisal feedback is provided with a constructive intention, i.e., to help them overcome present difficulties and to improve their future performance. Employees will be less anxious about criticism, and more likely to find it useful, when they believe that the appraiser's intentions are helpful and constructive. (Fedor, 1989)

In contrast, other studies (Baron, 1988) have reported that "destructive criticism" which is vague, ill-informed, unfair or harshly presented – will lead to problems such as anger, resentment, tension and workplace conflict, as well as increased resistance to improvement, denial of problems, and poorer performance.

It has shown in numerous studies that goal-setting is an important element in employee motivation. Goals can stimulate employee effort, focus attention, increase persistence, and encourage employees to find new and better ways to work. (Locke, 1981). It is also quite clear that goals which are "...specific, difficult and accepted by employees will lead to higher levels of performance than easy, vague goals (such as do your best) or no goals at all." (Harris & DiSimone, 1994)

2.3. Motivation Theory.

Familiarity with motivation theory is another useful knowledge area for appraisers. According to Molander & Winterton, (1994), motivation is a general term describing the willingness of employees to exhaust effort and exhibit desired patterns of work behavior in terms of levels of performance and commitment to the organization. Abraham Maslow's needs hierarchy proposes that people have varying levels of needs and must satisfy the more basic needs for food, shelter, safety, and belonging before they can focus on self-esteem and growth, Fournies (1988) argues that trying to determine what needs level is motivating an employee places coaches to know, however, that "when an environment enables people to meet their needs for esteem and growth, people become connected to that environment". Creating the right environment can build commitment and perform better work performance.

In *coaching for improved work performance*, Fournies (1978), also discuss the motivation theories of McGregor and Herzberg (1960), McGregor classified management approaches as Theory X and Theory Y. Fournies suggest that the important knowledge for coaches is realizing that we treat employees according to what we believed about employees. Frederick Herzberg looked at factors which satisfy or dissatisfy workers. He learned that the absence of a dissatisfier such as low pay or dirty working conditions does not create a satisfier or motivator. According to Herzberg (1966), the top two motivators for employees are achievement and recognition. Coaches understand the need for employees to achieve work performance. Coaches also recognize the need for recognition and offer frequent praise.

2.4. The Impact of Behavioral Traits on Performance Appraisal.

This article by Rollie O. Waters, from The Waters Consulting Group, Inc. investigates the effects of supervisor and subordinate measurable behavior on overall subjective performance evaluation ratings. The behavior operationalized as predictors are *Dominance (D)*, *Inducement (I)*, *Steadiness (S)*, and *Compliance (C)*. Correlation and hierarchical regression analyses establish positive effects on behavioral scales measuring. This study examines the behavioral characteristics of the individual team members, both managers and subordinates, and the impact behavioral traits have on the success of a carefully designed performance appraisal system.

2.5. The Link to Rewards.

Banister and Balkin(1990), in their research has reported that appraisee seems to have greater *acceptance of the appraisal process, and feel more satisfied with it, when the process is directly linked to rewards*. Such findings are a serious challenge to those feel that appraisal results and reward outcomes must be strictly isolated from each other. There is also a group who argues that the evaluation of employees for reward purposes, and frank communication with them about their performance, are part of the basic responsibilities of management. The practice of not discussing reward issues while appraising performance is, say critics, based on inconsistent and muddled ideas of motivation. In many organizations, this inconsistency is aggravated by the practice of having separate wage and salary reviews, in which merit rises and bonuses are decided arbitrarily, and often secretly, by supervisors and managers.

2.6. Conflict and Confrontation.

The 'self-auditing' method of appraisal was expressed by Krein (1990), stated that appraisers should not confront employees directly with criticism. rather they should aim to let the evidence of poor performance emerge "naturally" during the course of the appraisal interview. This is done by way of open-ended questioning techniques that encourage the employee to identify their performance problem. This study is best refers to the problem solving in the Celcom. This article suggested that instead of blunt statements or accusations, the appraisers should encourage an employee to talk freely about their own impressions of their performance.

The technique is to calmly present the evidence and then invite the employee to comment. In many cases, with just a gentle nudge from the appraiser here and there, an employee with problems will admit that weaknesses do exist. If an appraiser can get an employee. To the stage of voluntary admission, half the battle is won. The technique describe by Krein is a type of self-auditing, since it encourages the employee to confront themselves with their own work and performance issues.