



UNIVERSITI PUTRA MALAYSIA

**IDENTIFICATION AND EVALUATION
OF PERFORMANCE APPRAISAL USES
IN THE MALAYSIA FRANCE INSTITUTE (MFI)**

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ABSTRACT

This study tried to identify and evaluate the uses of performance appraisal. 60 out of 65 questionnaire were collected and this account for about 92% of the sample. The findings showed that uses of performance appraisal; salary increment, promotion and individual training needs were ranked as the most important, second most important and third most important by the respondents. In addition, the researcher found that the perception on the most important and second most important use of performance were the same between the academic and non-academic staff. However, the third most important use of performance appraisal for non-academic staff was to provide performance feedback but for the academic staff was to identify individual training needs. Based on the findings, the researcher also found that these two groups of employees have different perception about the uses of performance appraisal except for salary increment and to identify promotion for potential staff. Besides, this study indicated that the employees and organization showed they had the same perception about the three main uses of performance appraisal (salary increment, promotion and training needs). However, there are still some different perceptions about the uses of performance appraisal due to lack of communication between organization and employees. It can be eliminated using communication processes in information technology such as availability of computer system.

ABSTRAK

Kajian ini cuba mengenalpasti and menguji kegunaan penilaian prestasi di Malaysian France Institute. Kajian ini melibatkan 60 responden. Keputusan kajian menunjukkan kegunaan penilaian prestasi yang paling utama dipilih oleh responden adalah kenaikan gaji. Manakala tempat kedua dan ketiga penting ialah kenaikan pangkat dan keperluan latihan. Tambahan lagi, kajian ini juga menyatakan bahawa pekerja akademik dan pekerja bukan akademik mempunyai persepsi yang sama tentang kegunaan penilaian prestasi yang paling penting dan kedua penting iaitu untuk kenaikan gaji dan kenaikan pangkat. Namun demikian, kegunaan untuk imbas-kembali prestasi merupakan ketiga penting dalam kegunaan penilaian prestasi bagi pekerja bukan akademik tetapi bagi pekerja akademik pula adalah keperluan latihan. Ini menunjukkan terdapat perbezaan persepsi antara pekerja akademik dan bukan akademik tentang kegunaan penilaian prestasi kecuali kenaikan gaji dan kenaikan pangkat. Selain daripada itu, kajian ini juga menunjukkan terdapat perbezaan persepsi antara pekerja-pekerja dan majikan tentang kegunaan penilaian prestasi kecuali tiga kegunaan yang paling penting iaitu kenaikan gaji, kenaikan pangkat dan keperluan latihan. Keadaan ini adalah disebabkan oleh kekurangan komunikasi antara pekerja-pekerja dan majikan. Namun demikian, ia dapat dihapuskan dengan menggunakan informasi teknologi iaitu sistem komputer.

CHAPTER 1 INTRODUCTION

1.0 Introduction

How would you as a supervisor or manager determine who is the right person for the job? Who should be promoted? Who deserves a raise? Who can take on more responsibility?

In some small organizations, supervisors or managers may depend on a series of informal judgement in order to know the employees well. However, in a large organization, more systematic approach of evaluation is needed through a complete evaluation form. Recently, most organizations are growing more and more dependent upon formal appraisal system before making decisions. They want a justified and valid appraisal standards that will increase the probability that they will retain, motivate, evaluate employee's performance and promote productive people.

There are even some international standard performance appraisal which are purposely designed for companies for winning the outstanding performance award, such as Deming Prize, NASA Award, the Malcom Baldrige National Quality Award (MBNQA) and the European Quality Award (EQA).

Performance appraisal has been defined, as a formal system of periodic review and to evaluate an individual or team's job performance (Mondy & Noe, 1998). In modern appraisal, performance appraisal is a structured formal interaction between a subordinate and supervisor, which usually takes the form of a periodic interview (semi annual or annual), in which the work performance of the subordinate is examined and discussed. It can also be identify also the weaknesses and strengths as well as opportunities for improvement and skills development. As a result, managers should realize that performance appraisal should be a continuous process rather than an event that happens once a year.

Industrial or organization psychologists (Murphy & Cleveland, 1989) have traditionally viewed performance appraisal as a measurement problem. Conducting a performance appraisal is probably the most frustrating task for a manager. It has been severely criticized and managers find it troublesome, particularly when they have to criticize an employee personally and put the criticism in writing. Some executives even believe that performance appraisal system might not be able to bring about a positive change in their employee' behaviour.

Most organizations or managers believe that performance appraisal is necessary, but they do not like to use them. As a result, performance appraisal is often used reluctantly to satisfy some formal organizational or legal

requirement. In some cases, managers are ingenious at finding ways to bypass them.

Since performance appraisal is often perceived as a frustrating and troublesome, why don't organizations just ignore the appraisal system rather than implementing it yearly? Actually, performance appraisal is crucial to the effectiveness of human resources management and it is also critical variable affecting an organization's productivity.

However, performance appraisal system can provide information that are relevant for many personnel decision including career planning, human resources planning and compensation program. This appraisal performance is necessary because it can serve as an audit for the organization about the effectiveness of each employee. In the past, an organization normally used informal evaluation such as through observation and relationship between the supervisor and subordinate. Recently, more and more organizations are using formal evaluation system because the management wants a justified and valid appraisal standard that will increase the probability that they will retain, motivate and promote productive people.

1.1 Purposes of Performance Appraisal

For many organizations, the primary goal of an appraisal system is to improve performance. Historically, information from performance appraisal has

been used as a basis for administration decisions (Whisler & Harper, 1962). However there are still a lot of other goals that need to be considered. Bernardin and Beatty (1984), defined that performance appraisal is an important component of human resource system with its many interdependent purposes. Based on the above statement, performance appraisal system is very complex and difficult to identify the effectiveness system. Valerie and Andrew (1977) classify the purposes of performance appraisal to eight categories such as feedback to appraisee, management by objectives, salary review, career counseling, succession planning, maintaining equity, hand over between managers and to avoid trouble.

According to Mondy and Noe (1998), there are several use of performance appraisal, namely, human resources planning, recruitment and selection, human resources development, career planning and development, compensation programs, internal employer relation, assessment of employee potential.

In many organizations (but not all), appraisal results are used either directly or indirectly to help determine reward outcomes. These results are used to identify the better performing employees who should get the available merit increase, bonus or promotion. On the other hand, it is also used to identify the poor performers who may require some form of counselling, training or in extreme cases, demotion, dismiss or decrease in pay could be applied.

More recently, the purpose of appraisal has expanded considerably. Rudwan (1994) indicated that through the performance appraisal the organizational goals and objectives are more effectively achieved, while at the same time the benefit of the employees in terms of recognition, receiving feedback, catering for work needs and offering career guidance are also fulfilled. McGregor (cited in DeVries et. al, 1986) proposed that performance appraisal be used for feedback and developing employees. While, proponents of Management by Objective (MBO) suggested using appraisals for organizational planning (Drucker, 1954 and Ordine, 1965). Performance appraisal has also been used increasingly to safeguard organizations against discrimination lawsuits (Murphy and Cleveland, 1990).

A properly developed appraisal instrument serves as a contract between the organization and an employee in that it makes explicit what is required of that individual. Appraisal performance is necessary because it serves as an audit for the organization about the effectiveness of each employee. Such a control system based on the key job behaviours that serve as standards enables a manager to specify what the employee must start doing, continue doing, or stop doing.

It is the combination of performance feedback and the setting of specific goals on this feedback that enables the performance appraisal to fulfil its two most important functions, namely the counselling (motivation) and development (training) of employees.

In summary, performance appraisal is a fundamental requirement for improving the productivity of an organization's human resources, because it is through an appraisal that each individual's productivity is evaluated. It seems as the basis for counselling and development for an individual to maintain or increase productivity.

1.2 Private Education Institution in Malaysia

In year 1997, statistic shows that there are a total of 415 units Private Education Institution in Malaysia. Compared with year 1996, the percentage increase about 17.23% or from 354 units to 415 units This means that the number of private institutions has growth rapidly. Informal data collected by Private education department showed that in May 1999, Private Education Institution achieved 600 units in all over Malaysia. As a result, with the increase of institution numbers, the need of the manpower in teaching is also increasing rapidly. This will also indirectly affects the evaluation in the performance appraisal and quality control of these resources in institutions.

1.3 Malaysian France Institute

1.3.1 An Introduction

Malaysian France Institute or MFI was incorporated in February 1995 as a joint project between the Malaysian government and the French government. MFI is considered as a co-operation project between France and Malaysia. It is an advanced technical training centre in the fields of engineering specializing in automation, electrical, mechanical and maintenance which is fully supported by the Malaysian government. The French partners are being represented by Association de Formation Professionnel de l'Industrie rhodanienne (AFPI) and JF Bocard , while the Malaysian partner is represented by MARA.

1.3.2 AFPI and JF Bocard

AFPI, a French training centre of 180 staff based in Lyon, France, is capable of adapting to the specific requirements of each country, specializing in training levels ranging from a qualified worker to an engineer. AFPI is belong to the National Federation of French Industries and is part of a network of 60 equivalent training institutes. On the other hand, JF Bocard is an Industrial Assembler of International Dimensions, with 12 subsidiary companies worldwide and a work force of 2500 people and with corresponding logistic resources.

1.3.3 MFI's Organization's Mission

MFI offers Professional Diploma in Industrial Technology in new areas that are much needed by the industry and the country in general. MFI's main mission is to produce highly qualified and competent technologists who will be the liaison between the engineers and the skilled work force. As we know, Malaysia is moving towards a fully high technology era by the year 2020. And thus, there is today a high demand for technologists with skills and high level of adaptation; this demand is expected to be greater in the coming future. In accordance with this, MFI was incorporated to furnish this need by producing more technologists to satisfy the industry.

1.3.4 The Board of Directors of MFI

There are altogether eight members on the Board of Directors of whom five are Malaysians and three are French. Malaysia is being represented by MARA through its Director General who is also the Chairman of the MFI Board of Directors, Director of Vocational Division of MARA, the Ministry of Entrepreneur and Development, the Ministry of Finance, and the Ministry of Human Resources through the National Vocational Training Council. The French Ambassador, Vice President of MBF Peugeot and the Managing Director of MFI are the other members of the Board.

1.3.5 Management Team Profile

MFI is formally run by a group of French experts at the top positions of various technical studies department and administrative department. However, the present management team has changed dramatically since it was first set up, the positions of foreign expatriates were successfully replaced by locals.

The managing director, Mr. Rosly Alias, was at the top of the organization chart with ten departments under him. There is an Industrial Service Center, which is headed by a French, Mr. Calogero Sciandra, where the main function of this department is to market the short courses to other industrial organizations (example Matsushita, Sony and others.).

The importance of this organization chart relating to the performance appraisal system is to identify the appraisers for a particular employee (refer to Appendix 1).

1.4 Problem Statement

Most organizations believe that performance appraisal is important and necessary. Previous studies discussed earlier agreed that performance appraisal is used for a number of purposes in an organization. Other researcher also mentioned the different uses of performance appraisal that might demand

different types of information about performance (Cleveland, Murphy and William, 1989). Further more, an appraisal system cannot serve all-purpose, so a firm should select those specific objective it desires to achieve.

Many studies on the uses of performance appraisal have been carried out on manufacturing industries and other service industries such as bank and hotel but not in the private education institution. In this study, the researcher will evaluate the use of performance appraisal in private education institution. Additional, performance appraisal should have its own use of performance appraisal since the increasing of the importance and the role-play by private education institutions in our education development.

Many studies have been done on the issues of people perception. A previous research done by Moore and Saal (1993), showed that women and men perceived promotion fairness differently of the opposite sex. This result was supported by the Gestalt theory, which described that our subjective experience or perception is not simply a collection of sensations and it's depended on how you look at it. Beside that, the figure and ground's principle infer that people tend to identify the figure and separated it from a ground or background. It's showed that perception is the most neglected of the major problems of science that involves our movement to movement existence on how we see, hear, taste and so on.

In addition, due to the rapid change of this meaningful business nowadays, does each private education institution know about the use of performance appraisal in its organizations? Which important aspect does private education institution focus on as regards to the use of performance appraisal? Besides that, are there any differences on the use of performance appraisal among the academics and non-academics staff? On the other hand, is the organization aware of the gap between them and their employee perception about the use of performance appraisal? Therefore, in this study, the focus is on evaluation of the uses of the Performance Appraisal in MFI.

1.5 Objectives:

Several objectives were identified in this study. They are as follows:

1. To determine the extent to which performance appraisal is used for different purposes among the academics and non-academics staff of the MFI.
2. To determine any differences in the use of performance appraisal between academic and non-academic staff of MFI.

3. To determine any gap between the perception of the employees about the use of performance appraisal and about the organization's policy of the organization on the use of performance appraisal of MFI.

1.6 Importance of the study

The results in this study can provide information to design a straightforward, reliable and valid appraisal system for MFI.

Besides that, Kane and Lawyer (1979) had done a research showing that performance appraisal system often involves a number of conflicting goals. Therefore, this research can be used to describe in more details and to evaluate the main purpose of the performance appraisal system in MFI.

It also can identify the gap between the employee's perception about the use of performance appraisal and about the organization's policy in the organization on the use of performance appraisal.

CHAPTER 2 LITERATURE REVIEW

2.0 Introduction

We have discussed in the previous chapter regarding what are performance appraisal and the different performance appraisal in different industries. In this chapter, we will review on the previous researches that were related to this study.

2.1 Purposes of Performance Appraisal

The use of performance appraisal in employment setting is widespread. Loehner and Teel (1977) stated that 89% of the companies surveyed, conducted performance appraisals on a regular basis. The scenario is such due to the organizations having long recognized the usefulness of performance appraisals and used it as a means to achieve some meaningful ends.

Meanwhile, J. Kearney (1977) said that the performance appraisal is conducted for two purposes, which are judgement and development. Judgement occurs when performance is assessed in order to make decisions for promotion, transfer, pay increases and termination. While, development purpose occurs when information is needed to facilitate individual improvement in performance or

for use in improving the recruitment, selection, replacement and training and development function in an organization.

Some researchers have claimed that appraisees themselves are inclined to believe that appraisal results should be linked directly to rewards purposes.

Cardy, Newman and Krzystofiak (1988), indicated that performance appraisal also could be influenced by behaviours depicted in the vignettes. The results supported the operation of implicit personality theory in performance appraisal.

A laboratory study of performance appraisal delay and distortion by Levine and Benedict (1988), showed that when required to provide feedback, raters delayed longer appraising performance and distorted rating more positively. The result showed significant interactions and suggested that when feedback was required, female raters may delay appraisals, delay scheduling feedback sessions and more positively distort their rating of performance, particularly when rating low performer.

Another research done by Locher and Teel where pointed out the purposes of performance appraisal; performance improvement, compensation adjustments, placement decisions, training and development needs, career planning, staff process deficiencies, informational inaccuracies, job design errors, equal employment opportunity, external challenges and feedback (cited in Werther and Keith, 1996)

Performance appraisal provides information that is relevant for many personnel decisions and has been used frequently by the organizations for a variety of purposes. However, a research done by Cleveland, Murphy, and William (1989), indicated that there are four general uses of performance appraisal as follows:

- **Between-individual - salary administrative, promotion, retention, recognition of individual performance.**
- **Within-individuals - performance feedback and identification of individuals' strengths and weaknesses.**
- **System maintenance - personnel planning, determine training and organization development needs and goals development and evaluation.**
- **Documentation - criteria for personnel research and meeting legal requirements.**

Besides that, the findings also showed that organization characteristics were significantly related to uses of performance appraisal.

Many researchers have discussed the theoretical and practical importance of rating the use of performance appraisal. A research done by Harris, Smith, and Champaigne regarding "Research based (obtained for a validation study) Vs Administrative based (personal decision) rating in performance appraisal's purpose", showed that the administrative based rating demonstrated a