



UNIVERSITI PUTRA MALAYSIA

**AN EFFECTIVE PERFORMANCE APPRAISAL SYSTEM AS
PERCEIVED BY OFFICERS OF
BANK BUMIPUTRA MALAYSIA BERHAD**

PARTINI HAJI IBRAHIM

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BY

PARTINI HAJI IBRAHIM

**Project paper submitted in Partial Fulfilment of the Requirements for
the Degree of Master of Science in Human Resource Development,
Department of Extension Education, Faculty of Education Studies,
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BY

PARTINI HAJI IBRAHIM

OCTOBER 1998

Supervisor : Prof Madya Dr. Maimunah binti Ismail
Faculty: Department of Extention Education
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The purpose of this study is to examine shortcomings and characteristics of an effective performance system development as perceived by the officers of BBMB. A total of 123 officers consisting of managers, deputy managers and accountants from the region of Wilayah Persekutuan, Kuala Lumpur have been selected using stratified random sampling technique.

Data collection was approached in two modes i.e. by using a personal face-to-face interview and structured self-administered questionnaires. Data were analysed with the use of Statistical Package for Social Science (SPSS). Frequencies and percentages were employed in descriptive analyses while the relationship between the socio-employment variables and Performance Appraisal System (PAS) variables was analysed by using Pearson Product - Moment Correlation.

The results of the study revealed that there are a number of major shortcomings of the current PAS which need to be addressed by the Bank in developing an effective PAS. It is further concluded that an effective PAS should comprised of performance planning process, performance coaching process, performance review process and performance appraisal process. There is no



significance differences on responses of male and female respondents towards the planning process, coaching process, review process and performance appraisal process.. However, there were significant differences between managers' and executives' responses towards coaching and reviewing processes. On the other hand length of service is negatively related to planning process and therefore long service officers do not see planning process as a characteristic of an effective PAS.

The study as a whole supported the existing concepts, appraisal approaches, models and research on PAS. It is also contributed significantly to the understanding of the characteristics of an effective PAS. As for the Malaysian environment is concerned , the study can be described as explanatory or as a bench-mark attempt to empirically look at the characteristics of an effective PAS. The study has therefore recommended further research undertaking on replication of the current study to cover other region in order to provide more concrete findings and conclusions in relation to characteristics of an effective PAS, to carry out study on external factors that affect the effectiveness of PAS and finally to explore the development of performance based rewards system.



Abstrak projek penyelidikan yang dikemukakan kepada Jabatan Pendidikan Pengembangan, Fakulti Pengajian Pendidikan, Universiti Putra Malaysia sebagai memenuhi sebahagian daripada keperluan untuk mendapatkan Ijazah Master Sains.

**SISTEM PENILAIAN PRESTASI YANG BERKESAN DARI PERSEPSI
PEGAWAI-PEGAWAI BANK BUMIPUTRA MALAYSIA BERHAD**

Oleh

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Oktober 1998

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Kajian ini bertujuan untuk meneliti kelemahan dan ciri-ciri pembentukan sistem penilaian prestasi (SPP) yang berkesan dari persepsi pegawai-pegawai Bank Bumiputra Malaysia Berhad. Seramai 123 responden terdiri daripada pengurus, penolong pengurus dan akauntan daripada Kawasan Wilayah Persekutuan dipilih melalui kaedah persampelan stratifikasi rawak mudah.

Pengumpulan data menggunakan dua cara iaitu temuduga bersemuka dan soal selidik berstruktur yang ditadbirkan sendiri oleh responden dengan bantuan pengkaji. Data dianalisis menggunakan program 'Statistical Package for Sosial Science (SPSS)'. Kekekapan dan peratusan digunakan untuk analisis deskriptif sementara hubungan antara pembolehubah sosio-pekerjaan dan sistem penilaian prestasi menggunakan statistik 'Pearson Product - Moment Correlation'.

Keputusan kajian mendapati beberapa kelemahan utama dalam sistem penilaian prestasi yang sedia ada dan hendaklah diambilkira oleh pihak Bank untuk membentuk SPP yang berkesan. Kajian juga mendapati SPP yang berkesan perlu merangkumi proses perancangan, mendidik, proses kajian



semula, dan penilaian prestasi. Pembolehubah jantina tidak mempunyai hubungan dengan proses perancangan, mendidik, kajian semula dan penilaian. Walau bagaimanapun terdapat perbezaan diantara pengurus dan pegawai terhadap maklum balas mengenai proses mendidik dan kajian semula. Lama perkhidmatan pula mempunyai hubungan negatif ke atas proses perancangan di mana eksekutif yang berkhidmat lama tidak melihat proses perancangan sebagai ciri SPP yang berkesan.

Kajian ini secara keseluruhannya menyokong konsep-konsep, pendekatan penilaian, model dan kajian mengenai SPP. Ia juga memberi sumbangan yang besar terhadap kefahaman mengenai ciri-ciri SPP yang berkesan. Didalam konteks Malaysia kajian ini boleh di anggap menghuraikan atau sebagai tanda aras untuk mengenali ciri-ciri SPP yang berkesan. Kajian ini juga telah memajukan beberapa kajian lanjutan untuk dilakukan diantaranya mereplikakan kajian yang sama yang merangkumi kawasan lain di laksanakan; agar keputusan dan kesimpulan yang lebih padat dan konkrit akan di dapati, mengendali kajian keatas faktor-faktor luaran yang memberi kesan keatas keberkesanan SPP dan menerokai pembentukan sistem ganjaran berdasarkan prestasi.

CHAPTER I

INTRODUCTION

The first Bumiputra Economic Congress held in 1965 adopted inter-alia a resolution calling upon the Federal Government to establish a commercial bank with the facilities and services to the Bumiputera in order to increase their participation in the economic development of the country. The congress envisaged such a bank to serve not only as a source of credit and capital to the bumiputera individual, bumiputera businessman and entrepreneurs, but also the main channel of credit flow from the organized financial sector to the rural areas. This resolution was adopted by the Federal Government.

Furtherance to the above resolution, on 1st October 1965, Bank Bumiputra Malaysia Berhad (BBMB) was incorporated as a public liability company with an authorized capital of RM20 million. In 1966 the Minister of Finance Malaysia issued a license to BBMB to conduct Banking Business in accordance with the provisions of the Banking Ordinance, 1958.

The main objectives of the Bank could be summarized as follows :

- * to operate as a commercial bank providing the complete range of banking products and services to Malaysians as a whole, and to the Bumiputera in particular;
- * to meet the need for and remedy the lack of capital among the bumiputera ;
- * to assist in and encourage the development, the expansion and the modernisation of enterprises owned and managed by Bumiputera;
- * to create a market for fixed assets such as land and other types of securities owned by bumiputera;
- * to encourage, promote and assist in the flow of investment capital to the rural areas, and;
- * to do all those things consistent with the existing laws and legislation to increase effective Malay participation in the economic activities in the country.

BBMB commenced its business in February, 1966 with an initial paid-up and issued capital of just over RM5 million subscribed almost entirely by the Government of Malaysia. The paid-up capital was subsequently increased to just over RM10 million when the Federal Government increased its equity holding to RM10 million. The main office of the Bank was located at No. 11, Leboh Ampang, Kuala Lumpur until September, 1967 when the Bank moved to its present premises, at No.21, Jalan Melaka, Kuala Lumpur.

In the process of translating the above aims and policies into reality, the Bank faced numerous challenges from the BMF scandal in the early eighties, the global recession in the mid-eighties, economic resurgence of the nineties and currently to face the wave of economic turbulence.

Currently, BBMB is a major commercial bank in Malaysia and one of the largest in the Asean region. As at the end of March 1997 total assets of the bank stood at RM44,611.402 million, customer deposits at RM5,010.949 million and total loans and advances stood at RM29,02.161 million. The Bank provides a complete range of wholesale and retail banking services throughout its network of domestic and overseas branches, subsidiaries, affiliates and correspondents in all principal cities worldwide. As the leading commercial bank, it has a competitive advantage pertaining to activities such as funding large credit facilities, offering attractive rates and providing specialized banking services. The Bank enjoys the privilege of being one of the banking sector in Malaysia, setting the pace for the rest of the industry.

With the above objectives, principal aims, the Bank has come up with a mission and vision statement as stated briefly below :

Mission Statement

Bank Bumiputra's mission is to be a premier financial Institution in Malaysia - a profitable and market-driven financial institution that meets the financial needs of all sectors of the Malaysian society and assisting Bumiputeras to participate in the mainstream of all economic activities in the country.



Vision Statement

Our vision is to transform Bank Bumiputra into a **BETTER** bank better than before, better than others

The Problem and its Context

All organizations face the task of preparing their organizations for the future. Organizations know that change is necessary if they are going to be sufficiently competitive to meet tomorrow's challenges. While no one can predict the future, each of us must do our best to anticipate the changes required to prepare our organizations for it.

Some of the organization initiated the moves by identifying the possible threats and opportunities of the organization, and undertake necessary preparation to address the challenges and pitfalls appropriately.

One of the ways in identifying the possible threats and opportunities is by conducting an organizational climate survey. The importance of organizational climate survey is becoming apparent as it is a link between the individual and the organization (Folcione, Sussman & Herden, 1987, Kozlowski & Doherty, 1989, Poole, 1985, Schneider, 1983 a, 1983 b). If these beliefs and attitudes about the organization are favourable, it may then follow that the individual will be committed to the organization. Welsch and La Van's (1981) research supports this view.

Tagiuri views climate as a property of the organization itself, identifiable by particular characteristics and interpreted by organizational members, that in turn affects their attitudes and motivation.

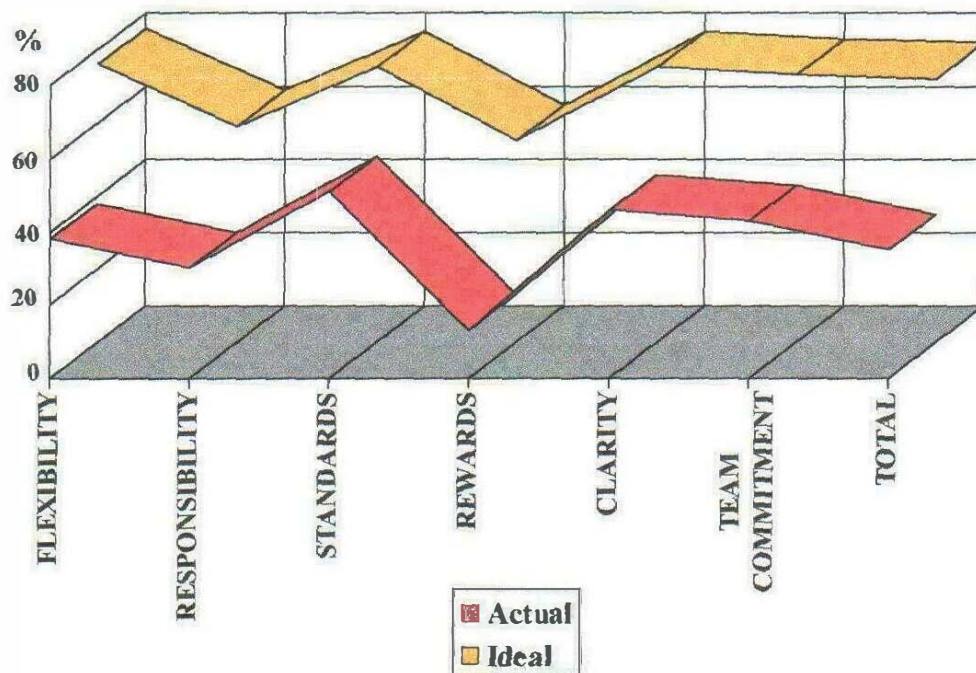
In this respect, to enable the bank to identify its threats and undertake the necessary initiative or improvement programmes or remedial actions, the Bank had commissioned a consultant to undertake an organizational climate survey aimed at measuring climate. The Bank has selected 1032 officers to represent

the total population of 4,000 officers. The participants comprises of officers from all levels and business functions. The climate dimensions measured are as follows:

- * Flexibility
- * Responsibility
- * Standards
- * Rewards
- * Clarity
- * Team Commitment

The interpretation of the result of the survey is depicted in figure 1 below :

Below are the interpretation of the result of the survey :



CLIMATE DIMENSIONS

Source : BBMB Report, December 1996

Figure 1 : Organizational Climate Survey
Composite Participant Version (N=1032)

- * Practically, most Asian companies tend to exhibit more or less the same trend except that they could be at the higher percentile.
- * What is ideal is not high. All the dimensions tend to hover around the 70th percentile, indicating that the participants are very realistic in terms of their expectations.
- * Any gaps exceeding 20% should be a cause of concern. In this case, it is all except for **STANDARDS**.
- * The widest gap is with respect to **REWARDS**.

The organizational climate survey feedback concludes to the following findings :-

Threats

The employees of the Bank is not happy with the existing policy of rewards which is the widest gap which exceeds 20% of the ideal percentile. The ideal is taken as the 70th percentile of the graph. The other 2 dimensions i.e. clarity and responsibility should also be a cause of concern. It is also further emphasized by the participants that they like to see changed to make the organization an even better place to work with respect to the following :

- * Abolish favoritism when giving promotion
- * Promotion should be based on performance and not who knows who
- * Reward system should be solely based on performance
- * Accept ideas from lower group if their ideas are good for the organization
- * To place the experienced and right person in the specific job.
- * Performance is main criteria for promotion
- * Respect and recognize the contribution of staff
- * Recognition for good work done.
- * Objectives and goals to be clearly defined
- * Direction from supervisor must be very clear

Opportunities

The sampling felt that working in the Bank, there is a job security, friendly working environment as well as being provided with good benefits.

In the 1990s, however, more and more organizations are coming to realize that to compete effectively one must change the way the company is managed. In so doing companies begin to recognize that there is no quick fix. There is no solution which magically will transform a company to a more desirable, ideal organization. Rather, Management must embrace change, recognizing that there are many related to strategy, culture, skills, teamwork and the **REWARD and RECOGNITION SYSTEM** of a company (Barnevick, P., 1994; Killman, R, 1991).

In a nutshell based on the threats highlighted what the employees of the Bank is crying for is to see the Bank to be transformed to a Performance Oriented Culture through the improvement initiatives tabulated in table 1.

Certainly, the Bank has to undertake a lot of effort in designing and implementing the above change initiatives. However, what the researcher intend to focus in this project is to explore what are the characteristics of an effective Performance Appraisal constitutes and comprises of.

Over the past fifty years, performance appraisal has become such a common place in organizational life that virtually every company has an appraisal system. It is claimed that it is becoming a serious business to institute a formal performance appraisal procedure. That is a firmly established, middle-aged management technique, however, does not mean that it has achieved a comfortable place in organizations. In fact, no one seems satisfied with the system they have or content with the results it produces. Gary P. Latnam and Kenneth N. Wexley (1993) asserted that "Performance Appraisal Systems are a lot like seat belts " and "Most people believe they are necessary, but they don't like to use them".

Table 1 : New Initiatives and Desired Outcomes

Initiatives	Desired Outcomes
New Performance management process.	New behaviors
Design Performance Reward	Improve Climate dimensions i.e. clarity, standards and rewards
Use the Performance Management Process to communicate and reward work behaviors that supports the culture wanted by the Bank.	Increase employee motivation and satisfaction

(BBMB report, August 1996)

Similarly like BBMB we have lived with the appraisal system over 20 years and have always sparked debate about their effectiveness. Proponents, not surprisingly, have claimed that Performance Management (PMPs) boost a company's bottom line by linking employees' activities and compensation to specific organization goals. Critics, meanwhile, have complained that the process - despite its good intentions - encourages mediocrity by rewarding those who set easily attainable goals. Worse, they assert PMPs often create conflict between superiors and employees.

Research conducted by Danielle Mc Donald et.al, (1996) showed a strong findings that companies that implement PMS perform better than those who don't. Mc Donald and team had further conducted their research on 18 companies in which Senior Managers and human resources executive were particularly satisfied with the results of their PMPs. The researchers found that those programs shared several characteristics. Among them :

- * Implementation at the Top
The Top is involved in the implementation and used the program for those reporting directly to them
- * A Simple Process
The PMP process was relatively simple and was integrated into the daily work process. Some satisfied companies said they conducted PMP using only single - page forms, which kept the process short and painless
- * A Reasonable Number of Goals
The number of goals was limited to four or five, with bonuses and incentives to reward those who achieved their goals

Clinton D Longenecker (1997) tend to suggest the formal appraisals have been found to be a potentially effective device for

- 1 Performance planning and goal setting
- 2 Providing performance feedback and coaching
- 3 Employee development, counseling and planning, and
- 4 Linking performance to compensation and promotion decisions

The above benefits will only be achieved if the members of the organizations use the appraisal process effectively. Research studies have attempted to identify the factors that causes an ineffective managerial appraisal and has deduced that the appraisal must be supported with appropriate performance rating, ongoing performance feedback, management development planning is part and parcel of the appraisal process, linkages between appraisal ratings and corresponding and organizational rewards (Clinton O Logenecker, 1997)

These findings suggest that an effective performance appraisal must be designed with a whollistic view linking corporate goals to the individual, to be used as a development tool which forces people to behave the behaviors desired by the organization by rewarding those desired behaviors, continuous improvement on the system, serve as a motivational device to communicate

performance expectations to employees, rated performance measurement and provide them with feedback

In order for the Bank to address the needs of the employees of the Bank highlighted in the organizational survey as threats, an attempt must be made to gather information that may help policy makers to design an effective Performance Appraisal System. This is hope to improve the climate dimensions which is a cause of concern with respect to reward, clarity and responsibility, and hence transforming the Bank to the desired culture i.e. in this case performance based culture and focus the energy of every Bank's member towards the achievement the achievement of organizational goals

Statement of Problem

The Bank's vision is to transform BBMB into a **BETTER BANK, BETTER THAN BEFORE, BETTER THAN OTHERS**. We therefore, shall among others achieve the vision through employing a highly professional staff force

- * with adequate knowledge and skills,
- * who are highly trained and disciplines,
- * with positive attitudes, values and ethical behavior,
- * with a high level of productivity,
- * working as a cohesive team,
- * who are given career opportunities to develop their full potential and contribute meaningfully,
- * who are rewarded based on their contribution

Nevertheless, the organizational climate survey embarked by the Bank has concluded that the employees are not happy with the existing policy on rewards. They would like to see changed in the organization and would like the Bank to be transformed to a performance based culture. In this respect the Bank has decided to undertake several initiatives, one of which is to design an effective performance appraisal system in the effort to improve rewards, clarity

and responsibility climate dimensions which were found to be at the lower percentile.

It has been shown by researches that performance management programs boost companies bottom line as they link the individual goals to the organizational goals.

It is also believed that performance appraisal done well in an organization that takes the procedure seriously, can have a major impact on the corporate culture. The creation or renovation of a performance appraisal procedure can transform an enterprise from a best-effort environment to a result - driven climate. If a company is going to survive, let alone prevail, in the competitive climate that all face, performance appraisal, more than any other technique, has the power to generate incredible and sustained change throughout the organization. As exemplary performance is important to the organization in turning the organization in a different direction, and cause improved performance and climate, it is therefore critical for the Bank to review the existing practice which is said to be ineffective as highlighted in the organizational climate survey conducted by the Bank.

Based from the researcher's experience in Human Resource Development and networking with other organizations, it is found that Government, Telekom, TNB and Maybank has implemented their Performance Management System incorporating new aspects of evaluation. The key elements of the system is the setting of the **Annual Work Targets** or **Key Result Area** and **Competencies** which are used to assess the performance of the employees.

Considerable research on the performance management system has been undertaken especially in the Western Cultures and has concluded that there is no generic performance appraisal system or package which can be right away adopted or implemented by an organization like a pc softwares namely Microsoft Office, Words, Lotus 123 etc. Especially so, in Asian culture we may

need to make adaptation, alignment and looking at the system in a different perspectives i.e Asian culture, and unfortunately there is no research on this being carried out yet. Thus, the need for this study to determine the characteristics of an effective performance appraisal system for BBMB in particular which is adaptable to the Bank's culture and is reflective of the Asian culture need to be explored

The research questions to be addressed are

- 1 What are the shortcomings of the current Performance Appraisal Systems of the bank?
- 2 What are the characteristics of an effective Performance Appraisal Systems espoused by the employees of the Bank
- 3 What are the differences and relationships between the socio- employment characteristics and variable PAS

Objectives

General Objective

The objective of the study is to examine the characteristics that contribute towards the development of an effective performance appraisal system of the Bank

Specific Objectives

The specific objectives are as follows -

- 1 To identify the shortcomings of the current performance appraisal system
- 2 To identify the characteristics of an effective performance appraisal system espoused by the officers of the Bank
- 3 To see the differences and relationships between the selected socio-employment characteristics and the variables of the Performance Appraisal System