

SEKOLAH TINGGI ILMU EKONOMI WIDYA WIWAHA
KAJIAN BISNIS

PEMIMPIN REDAKSI

Nur Widiastuti

REDAKTUR PELAKSANA

Sulastiningsih

DEWAN PENYUNTING

Ainun Na'im

(Universitas Gadjah Mada)

Basu Swasta Dharmesta

(Universitas Gadjah Mada)

B.M. Purwanto

(Universitas Gadjah Mada)

Mas'ud Machfoedz

(Universitas Gadjah Mada)

Muhammad Akhyar Adnan

(Universitas Islam Indonesia)

Revrisond Baswir

(Universitas Gadjah Mada)

Soeratno

(Universitas Gadjah Mada)

ADMINISTRASI & SIRKULASI

Siti Munawaroh

Eddy Ariyanto

ALAMAT REDAKSI

Sekolah Tinggi Ilmu Ekonomi

WIDYA WIWAHA

Status: DISAMAKAN dan TERAKREDITASI

Jl. Lowanu, Sorosutan UH. VI/20,

YOGYAKARTA 55162

Telp. (0274) 377091 Fax.: (0274) 370394

Web Site: www.site-ww.ac.id

E-mail: kajian@stie-ww.ac.id

ISSN: 0854-4530

Terakreditasi Nomor: 34/DIKTI/Kep/2003

Kajian Bisnis dimaksudkan sebagai media informasi dan forum pembahasan mengenai ekonomi dan bisnis.

Redaksi menerima sumbangan tulisan, karangan, ringkasan hasil penelitian dari sidang pembaca.

Naskah harap diketik rapi spasi ganda. redaksi dapat menyingkat dan memperbaiki tulisan yang akan dimuat tanpa mengubah maksud dan isinya.

Pendapat yang dinyatakan dalam jurnal ini merupakan pendapat pribadi pengarang, tidak mencerminkan pendapat Penerbit dan Dewan Redaksi.

DAFTAR ISI

1

DIRECT FINANCING AND INDIRECT FINANCING IN INDONESIA

Prof. Dr. Abdul Halim, MBA., Akt.

Irwan Taufiq Ritonga, SE., M.Bus.

11

PENJELASAN TEORI BIAYA TRANSAKSI PADA EKSTERNALISASI DAN INTERNALISASI SALURAN DISTRIBUSI: STUDI KASUS PADA INDUSTRI WOOL DI NEW ZEALAND

Drs. Dwi Suhartanto, MCM

Akhmad Yunani, SE.

23

CONCERNING STRATEGY TO INCREASE THE INDOONESIAN INDUSTRIAL COMPETITIVE CAPACITY FACING THE ASEAN FREE TRADE ERA

L. Saptono, S.Pd., M.Si.

37

REVIEW OF PERFORMANCE APPRAISAL IN ORGANIZATION

Drs. Muhammad Mathori

47

AUDITING THE DERIVATIVES FINANCIAL INSTRUMENTS

Theresia Trisanti, SE., MBA

57

UPAYA MENINGKATKAN KEUNGGULAN KOMPETITIF PERUSAHAAN DALAM ERA PERSAINGAN GLOBAL MELALUI ALIANSI STRATEGIS

Agung Utama, SE

75

ANALISIS STRATEGIK DAN MANAJEMEN BIAYA STRATEGI

Zulkifli, SE., MM.

89

ETIKA BISNIS: BISNIS ISLAMI BERTANGGUNGJAWAB TERHADAP PRODUK BERKUALITAS DAN AMAN BAGI KONSUMEN

Drs. Jazuli Akhmad, MM.

97

STRATEGI MENINGKATKAN MODAL SENDIRI KOPERASI

Dra. Ary Sutrischastini, M.Si.

105

INDUSTRI GULA INDONESIA, ISU SENTRAL DAN ALTERNATIF SOLUSINYA

Nur Widiastuti, SE., M.Si.

EDITORIAL

Assalamu'alaikum Wr. Wb.
Pembaca yang budiman,

Alhamdulillah jurnal KAJIAN BISNIS dapat kami sajikan ke hadapan para pembaca. Artikel yang diterima redaksi semakin besar frekwensinya. hal ini menjadikan pemilihan artikel yang perlu dipublikasikan dalam Kajian Bisnis memerlukan seleksi. Sudah barang tentu perhatian dan minat para penulis artikel tersebut kami sambut dengan senang hati serta tidak lupa kami ucapkan terima kasih.

Satu hal yang menggembirakan adalah bahwa jurnal Kajian Bisnis edisi bulan September-Desember, nomor 30 ini menyajikan artikel-artikel bidang akuntansi, ekonomi pembangunan, dan berbagai informasi bidang manajemen. Disamping itu terdapat beberapa artikel hasil penelitian.

Harapan kami artikel-artikel tersebut dapat menambah pengetahuan dan memberi manfaat bagi para pembaca. Semoga.

Wassalamu'alaikum Wr. Wb.

Redaksi

REVIEW OF PERFORMANCE APPRAISAL IN ORGANIZATION

Muhammad Mathori*

ABSTRAKSI

Kemampuan perusahaan atau organisasi dalam mencapai tujuannya ditentukan oleh kinerja karyawannya. Oleh karena pengaruh kinerja karyawan terhadap pencapaian tujuan tersebut sangat berarti, maka kegiatan untuk menilai kinerja karyawan menjadi isu yang penting dalam pengelolaan sumber daya manusia (SDM). Penilaian kinerja adalah proses dimana organisasi mengevaluasi kinerja karyawan. Informasi penilaian kinerja bermanfaat bagi keputusan strategis dan administratif yang terkait baik dengan perusahaan maupun pengelolaan SDM. Tulisan ini membahas berbagai permasalahan yang dihadapi dalam penilaian kinerja dan mencoba untuk memberikan solusi bagi manajemen dalam melakukan penilaian kinerja SDM yang ada.

1. INTRODUCTION

The subject of performance appraisal has been much discussed and studied. Performance appraisal has emerged as an increasingly important issue in organizations. A successful performance appraisal will create positive changes for both the individual and the organisation. Therefore, performance appraisals are critical to the functioning of an organisation as well as to the advancement of employees. According to Lawler, Resnick, Allan and Susan (1990) many methods have been developed to measure an employee's performance. However, the implementation of performance appraisal to obtain fair and accurate appraisal is complicated. Diverse results and misinterpretation of an employee's performance may arise in an inappropriate method and lack of knowledge on how to apply the method.

The purpose of this report is to discuss the effectiveness and limitations of

performance appraisal within organizations, and to offer solutions of the performance appraisal problem. In order to discuss the effectiveness of performance appraisal, those factors that may bias what the employer and employee want from the performance appraisal will be analyzed.

2. BACKGROUND

The world of business has become an arena in which the players struggle to gain competitive advantage in a much larger and more demanding marketplace. Managers today are increasing their efforts to improve the competitive position of their organizations. Employees, as a key of resources, are needed by organizations to gain competitive advantage. According to Foulkes (1996) Human Resources Management is the key process for managers to achieve their goals which are in turn to stay competitive. Therefore, the ability to manage behavior and

* Dosen tetap STIE Widya Wiwaha Yogyakarta

results of all employees is a necessary one. Managing people, however, is not an easy task. According to Noe, Hollenbeck, Gerhart and Wright (1994), one of the most important challenges managers face is managing the performance of those over whom they have authority. Rudman (1997) states that effective human resources management requires a series of linkages and relationships. The key to successful performance management is not only a performance appraisal system, but also processes of performance appraisal, for example, all management and personnel working together in managing individual or collective behavior to support the organization's strategy.

3. DEFINITION AND PURPOSES OF PERFORMANCE APPRAISAL

Performance appraisal has a long history based on comparative judgement of human worth (Price, 1997). A simple definition of performance appraisal is a process of observation and judgement. It involves observing the performance of an individual or a group or a team over time, then making a judgement about the strengths and weaknesses of that performance which are relevant to a particular job (Cascio as cited in Rudman, 1997). An individual employee's behavior and accomplishments for a finite time period will be measured and evaluated.

In its traditional concept, performance appraisal was seen as an way to direct and control employees by systematically linking job requirements, job behaviors and job rewards in a way that recognized

both individual needs and organizational objectives (Conole & O'Neill as cited in Rudman, 1997). However, in the traditional concept the link between performance appraisal and the organization's strategies and goals is often neglected. Therefore, more recently performance appraisal has had wider purposes. Linking performance appraisal with mission, goals and values of organizations is increasingly recognized as necessary (Noe, Hollenbeck, Gerhart, & Wright, 1994). Thus, in this case we can see that the performance of employees is critical for organizations because by having appropriate performance appraisal organizations can gain competitive advantage.

The statement above shows that the performance appraisal process is an important tool in human resources management. The question, therefore, will address what purpose of performance appraisal for management is. Performance appraisal plans in work organizations are used for a variety of purposes. There are two broad purposes. One is to improve the work performance of employees by helping them reach their full potential in their jobs, and the second is to provide information that will help management make decisions on subjects such as salary increases, promotions, lay offs, probations, and merit (Cascio as cited in Rudman, 1997). In other words, the aim of performance appraisal is to facilitate organizational effectiveness by clearly defining performance tasks and goals, performance standards, correcting poor performance, and distributing rewards and other personnel decisions fairly and equitably.

4. THE EFFECTIVITY OF PERFORMANCE APPRAISAL

An effective performance appraisal system produces specific performance feedback to improve employee performance, identifies employee training requirements, and links performance and personnel decision making (Noe, Hollenbeck, Gerhart & Wright, 1994). The ultimate goal of most performance appraisal is to increase employee motivation and productivity. The recent research literature has begun to identify the characteristics of effective performance appraisal systems.

A major focus of performance appraisal has been on evaluating employees in terms of their effectiveness in achieving important outcomes. The critical question for all organizations in applying performance appraisal is what makes an appraisal system effective. Effectiveness is about accomplishing the right things. Before discussing effectiveness, two perspectives must be taken into account for assessing any performance appraisal: first, the effectiveness of the system as judged by the management or the appraisers, secondly, the effectiveness of the system as judged by the subordinate employees or the appraisees. Therefore, it is necessary that performance appraisal should meet the needs of both.

According to Rudman (1997) effectiveness refers to the outcomes or results of performance at the individual, departmental or organizational level. Therefore, it must be possible to identify whether behavior that produces the desired outcomes can be achieved. According to Foulkes (1996) effective performance management means:

- 1) Articulating a company's vision, 2) establishing key results, 3) setting objectives and measures at key business unit level, 5) identifying business process objectives and the key indicators of performance for those processes, 6) monitoring and controlling four key performance measures: quality, delivery, cycle time, waste, 7) managing the continuous improvement of performance in those key areas, 8) being prepared to aim for breakthrough improvements in performance when this is required by a significant shortfall in your performance measured against the performance of your major competitors.

However, some subset of the above issues should come to mind with human resources practitioners whenever any performance appraisal system revision is considered. Some outcomes from performance appraisal system will be used both for staff and line managers, such as input to administrative decisions, employees development, identifying training needs, and also helping human resources planning. Moreover, effective performance appraisal also can help to create a motivated and committed workforce. It also needs to take into account that performance appraisal is a formal method of evaluating employees that assumes that employee performance can be observed and assessed although often it cannot be objectively measured

5. LIMITATIONS OF PERFORMANCE APPRAISAL

Successful and effective performance appraisal seems to be a great way for

organizations to achieve competitive advantage through having competent people who perform well. However, there are still many people – managers and employees alike – who dislike or distrust performance appraisal. As Rudman states (1997) performance appraisal is a necessary, but far from sufficient part of performance management. Appraisers were generally more satisfied that the appraisal met their purposes than the subordinates were that it met theirs. The overall pattern suggests that existing performance appraisal practices were most effective in documenting performance and recognizing it (Lawler, Resnick, Allan & Susan, 1990). However, it seems that the appraisal clearly failed to deal with pay, planning, and developmental issues as fully as the subordinates would have liked. In other words, the performance appraisal systems are falling short in meeting the employee's needs. These unmet needs are reflected in the subordinates' satisfaction or dissatisfied with the appraisal system. It is often true that subordinates tended to rate their own performance much more highly than did their appraisers.

6. DISCUSSION

In reviewing the primary causes of ineffective managerial appraisals, a number of rather consistent patterns emerged from these discussions that are noteworthy. Managers generated a highly consistent list of factors that create ineffective managerial appraisals with a high degree of consensus. These findings suggest that the fundamentals of effective appraisal techniques are often neglected in reviewing managerial performance. In

addition, each of these findings provides a very specific lesson for organizations employing formal evaluation procedures.

In this case, according to Longenecker (1998) there are some factors that may bias what the employer and employees want from the performance appraisal. In this discussion, numerous and persistent problems the factors that contributed to that discrepancy between employer and employees' needs will be analysed.

1). Performance appraisal is not relevant

People need to be appraised based on what really matters in their jobs. From my point of view, it is important to relate things that really matter to employees' jobs such as required competencies, behaviors, and skills. In other words, that competencies, behaviors and skills of employees are required to perform. For example, in a sales job we can rate employees based on their good product knowledge, interpersonal skills, and friendly and helpful manner. Therefore, the differences between success and failure can be identified. Commonly people are judged or rated on characteristics that they do not need to show or have in order to perform good job. Therefore, if ambiguity surrounds the job description, goals, traits and/or the behaviors that will be the basis for the evaluation the process is doomed to fail from the start.

2). Performance appraisal is not accepted by employees

An acceptance of the performance appraisal system on the part of employees is vital to ensure their commitment. If employees are committed to the organisation and the organizational goals, they will be more

likely to look more favourably on the performance appraisal system. Employee acceptance results in part from fair and impartial appraisal that always occurs on time, when it is expected to occur (Williams, 1998). Moreover according to Robert (1994) employee acceptance is a critical component of an effective performance appraisal system. Therefore, the attitudes of system participants play a key role in both the short and long-term success of a performance appraisal system. Perception of accuracy is important from the ratee's point of view, and also the belief that the system is administered fairly.

Negative consequences happen, when a system is perceived to be unfair or unacceptable because employees will reject the performance rating and the process that generated it. Moreover, a reduction in the motivation to change behavior based upon appraisal feedback, a rejection of the validity and usefulness of appraisal information, and unwillingness to accept the validity of personnel decisions based upon appraisal information are also negative consequences that management needs to take into account.

3). Limited employee involvement

As mentioned above performance appraisal is often viewed as not relevant, this mistake can arise from limited employee involvement. Employee involvement is essential because performance appraisal accuracy and comprehensiveness are relative perceptions and most performance appraisal decisions involve varying

degrees of subjectivity (Longenecker, 1997). If employees perceive that the information is inaccurate, biased and not comprehensive, a perceived state of unfairness will result.

This sense of unfairness will be exacerbated if the employee perceives no opportunity to present his or her views. The task, therefore, becomes one of developing a process that cultivates accurate and comprehensive information in a manner that is perceived by employees as being fair. Participation enables the ratee to express opinions, correct misconceptions or inaccuracies, present additional information, develop more equitable performance standards and objectives, and increase the amount and quality of communication between rater and ratee. Effective goal setting requires two way communication, even with assigned goals because understanding, clarification, revision, and performance monitoring entail rater-ratee information exchange.

4). Difficulties in providing feedback

The most common problems typically occur because most companies provide performance appraisal only once a year. If the appraisal is done at the end of the year, after the long holidays, both supervisors and employees may have forgotten what were discussed during the appraisal. Feedback is only helpful to people if they receive it in a timely manner-that is, when they can use it (Blanchard, 1998). Management delays in providing feedback to subordinates cause anxiety, frustration and feelings of inequity on the part

of those subordinates (Falcone, 1995). If the employees do not get any feedback from the appraiser, it may give employees an impression that the appraisal is not very important. Supervisor's inability or unwillingness to provide negative feedback could also contribute to the delay. Many managers avoid providing negative feedback for a variety of reasons including fear of the consequent conflict, a deterioration of supervisor-employee relations, and lack of confidence in the accuracy of the rating instrument (Roberts, 1998).

5). Women will be disadvantaged

Although both men and women said that the performance appraisal process was unfair and unsatisfying, the research found that some factors particularly disadvantaged women in the finance industry (Shepherd, 1998). These include that fewer opportunities offered for training and development for women and a lack of training of appraisers in general, but in particular, in an understanding of the differences in the way women and men communicate their abilities.

6). Different Culture background maybe disadvantaged

Employees who come from different countries and speak different languages may also affect the fairness of the appraisal result. We should be aware that employees who speaks a limited English and can not explain well about what they have achieved, but this does not mean that they can not do the job. With different culture backgrounds, people may value things differently.

Some employees may have a favourable perception of performance appraisal but others may not. The accuracy of the appraisal result will be questioned under this situation.

7. Halo Effect

A tendency exist to rate employees high or low on all performance base on one of their characteristics. This is known as the halo effect. For instance, an articulate person who is rated as outstanding on communication ability, may also be rated high on technical competence even though the employee is week in this area (Gray E.R., 1990).

7. SOLUTION

Performance appraisal to be effective, both management and employees are required to show their commitment and to translate organizational goals and objectives into personalized employee specific objectives. Some limitations that I have mentioned before can be eliminated by that strong commitment. However, the need to maintain strong commitment from top management in order to develop an effective performance appraisal system is still questioned. Therefore, some limitations still exist, for example when the appraisal system does not provide linkage between employee performance and organizational goals; such appraisal is bound to be less than completely effective.

Job analysis should be done before applying performance appraisal in order to find out the degree of objectivity of the performance measurement, because job

analysis provides information relate to employees' job such as required, required competencies, behavior, and skills.

Training for the raters or appraisers is also necessary one. It will enhance their skill and knowledge in using some performance appraisal tools. According to Dessler (2000) the employee training program was established to ensure that employees have the knowledge required for their respective job series classification. It was also intended to give employees the ability to compete for workload, improve morale, and in still pride in quality of workmanship.

Some organizations also have started using management by objective; that means employees will be involved in setting goals. The employees are more motivated and committed to accomplish that goal. However, to make goals effective, all participants may need to focus on the most important areas of a performance. Ongoing and informal feedback on the job performance also should be provided informally on a day-to-day basis and formally at the end of each assignment. Valuable and ongoing feedback to employees should motivate and drive positive effect and benefits to both employees and organizations. This feedback provides direction and represents an important reward which will result in increased employee efforts. If any negative behavior arises, it can be corrected as quickly as possible.

Feedback would be objective if employee is not only appraised by supervisor but also by other parties, for example peers, subordinates and customers. It is called 360 degree performance appraisal. The 360-degree appraisal (multi-rater feedback) is much

like any other appraisal system except that feedback comes form all the people around us, not just the boss. Everyone work with becomes a source of feedback. Often it comes from colleagues, but the value increases when it also includes customers, suppliers or anyone to whom employee must relate in order to get your job done. In other words, the type of review utilized information from the full circle of people with whom the manager interact (Robbins, S.P., and Coulter, M., 1999).

One of advantages of using 360-degree is that they provide more comprehensive of an employee's performance (Robbins, S.P., and Coulter, M., 1999). Soliciting information from all individuals a person interacts with in his or her normal work activities enables managers to obtain a broader and more complete picture of the person's performance than could be obtained by other means. However, the successful 360-degree appraisal only works in an environment where the feedback can be communicated effectively between appraisers and employees.

8. CONCLUSION

For doing the business in the hyper competition, managers have to do their business more competitive than their competitors. Manager can build its competitive advantages through improve efficiency, product quality, innovation or response for consumer. Its program needs support from employees and executives in this firm for achieving the goals. Executives see the human resources as competitive advantages and they support and manage human resources to be professional workers for

when the employee has an opportunity to participate in the evaluation.

REFERENCES

- Blanchard, J., (1998), *Do performance Appraisal Change Performance?* Training, May, pp. 23-35.
- Dessler, G. (2000), *Human Resources Management*, 8th Ed., Upper Saddle River, NJ.: Prentice Hall Inc.
- Fisher, M. (1995), *Performance Appraisal*. London: Kogan Page
- Falcon, P. (1995), *The integrated performance appraisal*, Management Review, Vol. 84 No. 12, pp. 46-55.
- Foulkes, P (1996), *Pay: employee compensation and incentives plans*. New York: The Free Press
- Gray, E.R. (1990), *Management: The competitive edge*, New York: Macmillan Inc.
- Lawler, E.E., Resnick, Allan, M.M.Jr, & Susan M. (1990), *Designing performance appraisals systems: aligning appraisals and organisational realities*. San Fransisco: Jossey-Bass
- Longenecker, C. O., (1998), *Why managerial performance appraisals are ineffective: causes and lessons*. Available: internet <http://www.emerald-library.com/brev/05109hal.html>
- Noe, R.A, Hollenbeck, JR, Gerhart, B. & Wright, P.M (1994), *Human Resources Management: Gaining a Competitive Advantage*. Sydney: Irwin
- Price, A. (1997), *Human Resources Management in A Business Context*. New York: International Thomson Business
- Roberts, G.E (1996), *Municipal Government Personnel Professionals and Performance Appraisal: Is there a consensus the characteristics of an effective appraisal system?* Public Personnel Management, Vol. 25 No.3 pp. 379 – 393
- Roberts, G.E (1998), *Perspectives on enduring and emerging issues in performance appraisal*, Public Personnel Management, Vol. 27 No.3 pp. 301 – 305
- Robbins, S.P., and Coulter, M., (1999), *Management*, Upper Saddle River, N.J: Prentice Hall Inc.
- Rudman, R. (1997), *Human Resources Management in New Zealand: Context and Processes* (2nd ed). Sidney: Harcourt Brace
- Shepherd, D. (1998), *Pay and Prejudice*, New Zealand Banker. Vol. 11 No. 1, pp. 27-29.
- Williams, R.S., (1998), *Performance Management: Perspective on employee performance*, London: International Business Press