

# Issues and Challenges in the Practice of Performance Appraisal Activities in the 21<sup>st</sup> Century

**Emi Pujiastuti and Mulyono**

Department of Business Administration  
Semarang State University (Unnes)  
[emipujiunnes@gmail.com](mailto:emipujiunnes@gmail.com)

## **Abstract**

*In every organisation, employees play a vital role in determining its survival. Employees become the ultimate asset to ensure that the organisation operates as planned. The relation between the appraisal system and the organisation's strategy is used as a strategic tool to achieve the organisation's vision. This will evidently be a key factor in communicating values, promoting flexibility and maximizing individual potentials and contributions. Very often, employees who are not happy with the practice of the appraisal activities will send a huge impact on the organisation's image. In the 21<sup>st</sup> century, performance appraisal activities continue to become one of the most important functions in human resource management. The work environment and the employees have become more in tune because of the massive usage of information and communication technology (ICT) in every organisation. This paper explains the relationship of the 21<sup>st</sup> century with performance appraisal activities and explores issues as well as challenges that arise in the appraisal activities.*

**Keywords:** human resource management's performance appraisal, strategic appraisal

## **Introduction**

Employee's performance appraisal is a subject of great interest in any organisation. In every organisation, employees play a vital role in determining its survival (Rusli Ahmad, 2007a). In line with that, an employee is perceived as an important or valuable asset to an organisation and is the key or prerequisite factor to make sure the operation of the organisation or factory runs as planned. Employees become the heart and pulse of the organisation and really important to determine the needs and expectancies of the client or customers (Muhd Rais Abdul Karim, 1999). This is aligned with the purpose of performance appraisal in the

contemporary approach which emphasizes on employee who has full potentials that can be explored and expanded. Employees can be used positively to sustain the quality of service or product of the organisation. This is associated with the roles and responsibilities of the employees to perform at the highest level of their work competencies. Performance appraisal become more constructive and therefore the progress of the employees are improved (Rusli Ahmad, 2007b). With the achievement of the organisation's vision and mission, employees can work together collaboratively with the organisation itself based on the win-win basis. In this context, performance appraisal can turn out to be a good device to plan a better career path for the employees.

The term performance appraisal are sometimes called as performance review, employee appraisal, performance evaluation, employee evaluation, employee rating, merit evaluation, or personnel rating. Performance appraisal is a system that involves a process of measuring, evaluating, and influencing employees' attributes, behaviour and performance in relation to a pre-set standard or objective. Performance appraisal can be seen as the systematic description of individual job-relevant strengths and weaknesses for the purposes of making a decision about the individual. In another term, performance appraisal is a process of evaluating the behaviour of the employees in the workplace, or can also be referred as a process of giving feedback on employees' performance. It involves a very complicated process and various factors can influence the process. Therefore, the process of evaluating employee's behaviour should be looked at as a reciprocal process or using a matrix perspective and not as a straightforward process (Rusli Ahmad, 2007a). There are a number of different appraisal approaches/ methods commonly used in organisations with methods used has their advantages as well as disadvantages and there is no right and wrong methods or approaches. Consistency and focus on the usage of the approaches or methodology are crucial to ensure they are successful.

### **The 21<sup>st</sup> Century and Its Relationship with Performance Appraisal Activities**

Since the year 2001, organisations are already in the 21<sup>st</sup> Century. Several significant characteristics represent this century and are discussed from various area and field of disciplines. This section is aimed to highlight certain characteristics and important key words or terms involved from the perspective of management and human resource studies. It is hoped that by highlighting the characteristics, it will give a holistic perspective and understanding on important aspects involved in the discussion of the topic, and to expose oneself on the latest development of performance appraisal issues in the 21<sup>st</sup> Century.

Table 1 below shares some key words, terms and characteristics discussed by the researchers and scholars regarding this new century.

**Table 1:**  
**Key Words and Characteristics Explaining 21<sup>st</sup> Century**

The borderless world (Harris, 2002)	Stiff competencies (Shurchuloo, 2002)
The digital era/ information age	Global market (Friedman, 2005)
K-economy (Mukherji, 2002)	World is flat (Friedman, 2005)
E-government (Majed Al-Mashari,	Globalisation (Friedman, 2005)

In short, nobody can deny the fact that the world have turned into a small village and can be linked and connected through all sorts of information and communication technologies. In the digital era, information and knowledge can be searched effectively and in an efficient manner. Most of us have come to a realisation that worldwide, be it in the developed or developing countries, knowledge economy and electronic government become a day to day practice in private or the government sector. Today, sophisticated and up to date technologies are part and parcel of an organisation in order to run their businesses or services as well as to achieve its vision statement. This change, without doubt, will affect other parties in the organisation especially the workers. Direct, or indirectly, this impact can be in a short or long run and will cover all areas of the workers' daily activities. Table 2 shows several aspect of the characteristics or key words for the employees when dealing and handling their tasks in the workplace.

**Table 2:**  
**Key Words and Characteristics Explaining Person Competencies in 21<sup>st</sup> Century**

Emotional spiritual quotient (Ary Ginanjar	Synergy or strife (Gatchalian & Gatchalian, 2003)
Labor-management cooperation (Gatchalian &	Human capital (Perez & de Pablos, 2003)
Nano workers (De Feo, 2007)	Intellectual capital (Nerdrum & Erikson,

Workers as the ultimate sources in the organisation need to fulfill their job well to meet the expectancy set by their organisation. In relation with that, performance appraisal activities is the most important activities in the human resource management practices. With the development and change happened in organisations, several themes or focus of the study can be identified in performance appraisal research in the 21<sup>st</sup> Century. Table 3 identify several research focuses in the performance appraisal context.

**Table 3:  
Key Words and Characteristics Explaining Research in Performance Appraisal in the  
21 Century**

Link with strategic agenda (Rusli Ahmad, 2007a)	Developmental approach (more open and
Expert witness (Simmons, 2004)	User friendly of the instrument (Scout, 2001; Edell,
Well-established key-components (Coutts &	Process (Khoury & Analoui, 2004)
Cognitive process (Rusli Ahmad & Nur Azman	Purpose of PA (Youngcourt, Leiva & Jones, 2007)
Total Quality Management (Soltani, 2005)	Accuracy and halo (Van Scooter, Moustafa, Burnett
Satisfaction (Cook & Crossman, 2004)	Coaching (Brackett, Reid & Green, 2007)
External control management technique (Law,	Behaviour based competencies (Catano, Darr &

### **The 21<sup>st</sup> Century Work Characteristics and Related Issues with Performance Appraisal Activities**

Performance appraisal system continues to be one of the most important function of human resource management in the 21<sup>st</sup> Century. This is because performance of the workers or employees is very significant for organisation to be more effective and competitive in comparison with other organisations. The world tend to be small and countries are linked to each other because of the increasing development of the information communication technology. Employees and performance appraisal activities are frequently discussed in a transparent manner. In an organisation, the workers' trade unions and associations is no longer a taboo.

In this discussion, related issues on performance appraisal activities in the 21st century is based on author's observation, ongoing research and studies undertaken by worldwide researcher. Several important and related issues on performance appraisal activity can be listed and explained as below:

#### ***The appraisal philosophy***

The contemporary approach of performance appraisal is associated with employees as individuals. In this approach, performance appraisal is used as a contributor to employee motivation, development and human resources planning. In the contemporary approach, the purpose of performance appraisal emphasizes that employees have full potentials that can be explored and expanded. Employees with promising abilities and expertise can be employed positively to sustain the quality of service and product of the organisation. Consequently, with the employees' roles and responsibility to perform at the highest level of their work competencies, performance appraisal tend to be more constructive, parallel with the employees' work development. With this, employees can collaborate with the employer based on the win-win situation concept.

### ***Roles and responsibilities of raters and rates***

Performance appraisal involves two key players namely the raters and the ratees. In order to conduct a performance appraisal, both players need to refer to the organisation's vision and mission. Management or the board of directors are responsible to supervise the whole process in general and is guided by other factors such as stakeholders and corporate governance of the organisation. Subordinates play a role as raters, assessor or the evaluation officer. Their core business is to make an evaluation of the ratees' job performance. Subordinates are referred to the ratees whom their work performance will be evaluated. Occasionally, subordinates can play two roles at a time; they can be raters and in other context they can also be ratees. This shows that those who are in the higher post will evaluate ratees' work performance.

### ***Measurement or methods in appraisal***

Performance appraisal measurement can be classified into three categories; as measuring traits, behaviours, or results. Of all three, trait approach is more popular despite its inherent subjectivity. Behavioural approaches provide more action-oriented information to employees, and therefore may be best for development. On the other hand, the result-oriented approach is gaining its popularity because it focuses on the measurable contributions that the employees make to the organisation. Combinations of approaches were used along the process and it contributed to a better implementation of the appraisal process. There are a number of different appraisal approaches/ methods commonly used. The approaches or methodologies used must be very familiar to the raters as well as the ratees. Training can also be conducted from time to time to sharpen the raters' skills, knowledge, attitude, aptitudes, abilities and competencies.

### ***Performance appraisal process***

Performance appraisal is a continuous process whereby a rater will judge and evaluate their ratees. Although raters review performance after three, six, nine months or at the end of the year, ratees are still being observed consistently. Nevertheless, appraisals should be viewed as a participative process which involves raters and ratees. This can be seen as a reciprocal process whereby the successfulness of the activity lies on the mutual and honest understanding between both raters and ratees. The process must be viewed as a procedure that can benefit all parties in the organisation especially the ratees and to achieve the organisation's goal. The appraisal activity can also be seen as a stimulus- response-feedback process. The organisation needs to conduct this activity to evaluate the stimulus (job description) given, the response of the ratees (cognitive, behavioural, affective and psychomotor) and feedbacks which involves trust and responsibilities of the ratees.

### ***Objective and fair standard of evaluation***

Performance standard is the measuring rod for determining the outcomes of employee's performance whether it is successful or unsuccessful. Sometimes raters themselves are confused on the meaning of performance appraisal and the standard measurement to measure work performance. All necessary standard need to be followed and well articulated to the people. Standard is important because of several reasons; to help the organisation achieve and reach its goals; to motivate individual or a group to a higher level of personal work behaviour; standards can reinforce behaviour; standard promotes the consistency of employee's

performance of the organisation; and standard can be used to weight and measure the impact of employee's performance on their core business.

### ***Performance appraisal mentoring***

Employees' performance in the workplace is a continuous process and need to be monitored on a timely basis. This is to ensure that improvements in performance are continuous and within time, the organisation becomes a learning organisation. Several important purposes of mentoring are to identify the gap that exists between existing employees (with abundance of experience) with new employees (with minimal experiences); to identify opportunities that can assist existing employees with unfamiliar task or challenges; to identify any problems in advance to achieve the existing standards; and to collect documentation data on the employee's performance for the final appraisal.

### ***Individual performance or group/ teamwork performance***

Individuals and group members play an important role to achieve the vision of the organisation. Both parties play a vital function to complement each other. In the performance appraisal context, the power of individual performance is important in comparison with team performance. This is because the appraisal process is more towards the individual reward system rather than the group reward system.

### ***Performance appraisal interview***

Performance appraisal interview is an important part in the appraisal process. It is a frequent on-the-job communication as well as feedback process and can be seen as a periodic activity. Normally, it is conducted one-to-one between the employee and his personal supervisor or rater. The employer (rater) will monitor and gather information on the employee's performance to determine whether the employee has accomplished the organisation's goal or not. Discussion between the employer and the employee can be focused on the employee or subordinates' core business and other activities related with their job description.

### ***The forecasting issues on performance appraisal***

From a strategic point of view, performance appraisal activity is important to serve several main functions in the organisation. Some of main functions are to create conducive working environment and to recognise the existence of human capital as the most important asset. In the organisation context, a proper plan or a master plan of the appraisal activities and its progress need to be ready and can be comprehended by all parties involved.

### ***Leadership style affects performance appraisal***

Leadership style will influence the decision making process in the appraisal activity. The appraisal turns out to be more judgmental in nature when an autocratic leader uses his position to control the overall process. On the other hand, democratic leaders will initiate a developmental approach in the appraisal activity. They always encourage involvement and good relationship practices in all the appraisal process. Laissez-faire leaders however will create a havoc environment due to the fact that they are lack of commitment and skills. Eminently, the system practice used is ineffective and unsuccessful.

### ***The political mask in performance appraisal***

Extensive literature has evolved to help managers design systems that are accurate. Yet, while appraisal is supposed to be objective and accurate, the reality is different. Many managers deliberately distort and manipulate appraisals for political purposes. This shows that the literature on designing appraisals and training aimed at helping managers giving accurate appraisals miss a crucial point; appraisals take place in an environment that is anything but completely rational. In reality, managers may need other than being completely accurate and rational. Managers giving appraisals may have other motives and purposes that may supersede a concern for accuracy.

### ***User-friendliness of Performance Appraisal Form***

Studies by several researcher (see Scoot 2001; Edell, 2003) indicated that performance appraisal needs to be user- friendly to both the supervisors and supervisees. There are several factors to be considered to ensure that the performance appraisal instrument is user-friendly; content - rated on the level of documentation provided for the information presented; ease of use - rated on the usability of the system, easy to answer questions, consistent page layout and free from unnecessary questions; time - rated on the amount of time needed to answer all the questions, less questions means less time is needed to complete it; clear - content should be clear and not ambiguous; direct questions - all questions should be straightforward and attractive and the layout or format of the form should be economical. The usage of ICT tools and devices may help to replace the traditional format of the forms. For an example, expert systems can be used to assist supervisors and managers with situation assessment and long-range planning.

### ***Win-win Situation in Performance Appraisal***

A win-win situation is the ultimate goal of negotiations. In the performance appraisal, it happens when a solution is found to be beneficial for both parties. Both parties would mutually agree on their needs and expectations, and ideally everyone will be satisfied with the solution produced. In addition, the process of reaching a win-win situation may foster learning and growth. This can lead to a greater understanding and a more positive relationship between those involved.

### ***Performance Appraisal Training***

Training plays an important role in an organisation's life. For the performance appraisal purposes, several objectives of training can be identified such as to develop the raters' skill, knowledge and abilities in performing their job; to uplift the credibility on appraisal process; to seal problems faced; to cope with new issues; to fulfill the demand for skilled workers; and to grasp on most successful asset of organisation. In general, training can be beneficial to an organisation through better understanding of the appraisal system; strengthening the misperception of the system; create sense of awareness and also by encouraging the organisation to be a learning organisation. For employees, training on appraisal can enhance their understanding on the system. Apart from upgrading their competency and efficiency, employees are able to discuss with the management group in improving performance appraisal's decision.

### ***Total Quality Management***

From a TQM perspective, it is recommended that in team meetings, planning and feedback should be merged. Appraisal periods should be aligned with the timing of the work (i.e. provide feedback at the end of each major program or project rather than waiting for an annual point in time). Team meetings should ask open ended, thought provoking questions (i.e. what would you do if you were running the operation and/or business?). During a team meeting on performance, the idea is not to set goals, but to come up with ideas to improve performance. Once an approach for improving performance is developed, then the goals can later on be set.

### ***Communication and The Appraisal Process***

Communication is the process of sharing and transferring information or providing entertainment by speaking, writing, or other methods used. It is the transferring of information and meaning from the sender to receiver through shared symbols and communication channel. People communicate in many ways (by talking, writing and bodily gestures), either face-to-face or through technical and communication gadgets such as telephones, facsimiles, e-mail, video conference, internet chats, internet calls, virtual gathering, and short message system (SMS). Communication plays a crucial role in transferring and sharing the information for performance appraisal activity. Too many barriers will influence the effectiveness of the process such as perceptions, language, semantics, information inadequacy, information overload, and emotional block.

### ***Bias in performance appraisal***

One of the most difficult requirements of an effective performance appraisal system is that it is as free as possible from bias. Raters as a human being cannot deny the involvement of bias in their decision making on performance of the ratees. The only thing that the raters can do is to minimise the level of unfairness as possible. Work professionalism plays an important role for the reliability of the assessment process. There are many types of bias that creep into appraisal system and the most reported are recency effect, halo effect, central tendency and prejudice.

### ***360-Degree Feedback Appraisals***

360 degree feedback appraisal is a powerful developmental method and is quite different compared to the traditional manager-subordinate appraisals. This method does not replace the traditional one-to-one process and can be used as a stand-alone developmental method. This method involves the appraisee receiving feedback from people (named or anonymous) whose views are considered helpful and relevant. The feedback is typically provided on a form showing job skills/abilities/attitudinal/behavioural criteria and scoring or value judgment system. The appraisee should also assess himself or herself using the same feedback instrument or form.

### ***The Appraisal Conflicts***

Conflict of interest constantly happens in an organisation. One of the reasons is because of the practice of performance appraisal activities. Conflict probably occurs because of disagreement of the ratees regarding the implementation of the performance appraisal process.



It can be categorised into several categories such as conflicting intra-individual goals, which is the desire for honest feedback versus desire for self-concept affirming feedback and recognition. Besides that, there is a conflict on individual workers with their colleagues' goals, which means that a person's desire for rewards contradict with other colleague's desire.

### ***Cognitive Processes in Performance Appraisal***

Cognitive processes in performance appraisal activities become one of the main topic discussed in the 21<sup>st</sup> Century. This approach or model is often referred to as a social information-processing model because raters process information on people rather than objects. Cognitive process can be defined as a process by which the sensory input is transformed, reduced, stored, recovered and used. This process comprise all mental activity or states involved in knowing as well as the mind's function which includes perception, attention, memory, image, language functions, developmental processes, problem solving and even the area of artificial intelligence. In the appraisal activity, raters observe the ratee's behaviour, cognitively process their information along with other information that they may have regarding the ratee, and provide an assessment of how well or poorly the ratee performed.

### **What are The Challenges of Performance Appraisal in the 21<sup>st</sup> Century?**

There are several challenges which arise in the practice of performance appraisal activities:

1. The main issue in the practice of performance appraisal activity is the fairness of the evaluation decision. Raters have problems evaluating the performance appraisal in a proper way. Performance of individual employees that is not measured accurately can lead to dissatisfaction with the system.
2. One of the factors that contribute to employee's dissatisfaction is that raters are not knowledgeable and do not have the required skills. This will affect the process of evaluation because bias, unfairness and unreliability may occur. Although there is a formal evaluation form and a set of standards to be followed, employees seem not to trust the tools of evaluation.
3. There is an issue of subjectivity in the performance evaluation in the public and private sector. Although it is written in black and white to be as objective as possible, however, during the implementation of performance appraisal, the evaluation becomes subjective. The subjectivity of the evaluation discourages employees on supporting the measurement of performance appraisal. Therefore, the objective of the performance appraisal is not achieved.
4. The quota system practiced in certain organisation also creates dissatisfaction among employees. Only a small portion of the employees will get salary increment either vertically or diagonally. Therefore, although the employees may perform well, they might not get a reward because it depends on the quota system. This will lead to a decrease in work performance, self-esteem and loyalty to the organisation.
5. The appraisal decision nowadays is confronted with a great deal of criticisms and comments from the employees and their unions. There are several issues being put forward

such as the raters' ability, accuracy of the system, fairness, discrimination, quota system and other aspects.

6. Performance appraisal should suit the organisation's culture. Research findings strongly suggest that multinational company's manager should carefully design the appropriate system for foreign operation based on the different cultural factors of the country.

## Conclusion

In the 21<sup>st</sup> Century, employees all over the world can be linked and connected through several ICT development. The new invention and technologies will affect all parties in the organisation especially the workers. The job and work activities can be influenced and this will determine performance of the workers both at the micro and macro level. In relation with that, performance appraisal activities will also have the impact and this will make the appraisal become more complicated. Although the performance appraisal may be viewed in a positive way, it is important to be ready with new ideas and solutions. Performance appraisal system may need to be amended, reconstructed or revised to meet the needs of new challenges and issues in the 21<sup>st</sup> Century.

## REFERENCES

- Ary Ginanjar Agustian (2006) *ESQ: The ESQ way 165*. Jakarta: Arga Publication.
- Catano, V.M., Darr, W. and Campbell, C.A. (2007) "Performance appraisal of behavior-based competencies: a reliable and valid procedure". *Personnel Psychology*. Vol. 60 (1), pp. 201-230.
- Coutts, L.M. and Schneider F.W. (2004) "Police officer performance appraisal systems: How good are they?" *An International Journal of Police Strategies and Management*. Vol. 27 (1), pp. 67 – 81.
- Cook, J. and Crossman A. (2004) "Satisfaction with performance appraisal systems: A study of role perceptions" *Journal of Managerial Psychology*. Vol. 19 (5), pp. 526 – 541.
- De Feo, J.A. (2007) "Attaining sustainable business results through Lean and Six Sigma" *Middle East Quality Association Annual Congress*. March 25-27 March, Dubai, UAE.
- Friedman, T. (2005) *The world is flat: A brief history of the globalized world in the 21<sup>st</sup> century*. New York. Penguin.
- Gatchalian J.C. & Gatchalian M.M. (2004). *Labor Management Cooperation*. Philippines, Quality Partners Company Ltd.
- Harris, P.R. (2002) "European challenge: developing global organisations" *European Business Review*. Vol. 14 (6), pp. 416 – 425.

- Khoury G.C. and Analoui (2004) "Innovative management model for performance appraisal: the case of the Palestinian public universities". *Management Research News*. Vol. 27 (1/2) pp. 56 – 73.
- Kandampully, J. (2002) "Innovation as the core competency of a service organisation: the role of technology, knowledge and networks". *European Journal of Innovation Management*. Vol. 5 (1), pp. 18 – 26.
- Majed Al-Mashari (2007) "A benchmarking study of experiences with electronic government" *An International Journal of Benchmarking*, Vol. 14 (2), pp. 172-185
- Muhd Rais Abdul Karim (1999) *The Challenging of Malaysia Public Service*. Kuala Lumpur: Pelanduk.
- Mukherji A. (2002) "The evolution of information systems: their impact on organisations and structures". *Management Decision*. Vol. 40 (5), pp. 497 – 507.
- Nerdrum, L. and Erikson T. (2001) "Intellectual capital: a human capital perspective". *Journal of Intellectual Capital*. Vol. 2 (2), pp. 127 – 135.
- Perez, J.R. and de Pablos, D.O (2003) "Knowledge management and organisational impenitiveness: A framework for human capital analysis" *Journal of Knowledge Management*. Vol. 7 (3), pp. 82 – 91.
- Rusli Ahmad (2007a) *Employees Appraisal: Everything You Have Always Wanted to Know*. Kuching, RS Group.
- Rusli Ahmad (2007b) *Employees Appraisal and cognitive information system*. Kuching, Penerbit UNIMAS.
- Rusli Ahmad and Nur Azman Ali (2004) "Performance appraisal decision in Malaysian public service". *International Journal of Public Sector Management*. Vol. 17 (1) pp. 48 – 64.
- Shurclullu, P. (2002) "National productivity and competitive strategies for the new millennium" *Integrated Manufacturing Systems Journal*. Vol. 13 (6), pp. 408 – 414.
- Simmons J. (2004) An "expert witness" perspective on performance appraisal in universities and colleges" *Employee Relation*. Vol. 24 (1), pp 86 – 100.
- Soltani, E. (2005) "Conflict between theory and practice: TQM and performance appraisal" *International Journal of Quality and Reliability Management*. Vol. 22 (8), pp. 796 – 818.
- Youngcourt, S.S., Leiva, P.I. and Jones R.G., (2007) "Perceived purposes of performance appraisal: Correlates of individual- and position-focused purposes on attitudinal outcomes" *Human Resource Development Quarterly*. Vol. 18 (3), pp. 315.
- Van Scooter, J.R., Moustafa, K., Burnett, J.R. and Michael P.G. (2007) "Influence of prior acquaintance with the rater on rater accuracy and halo" *The Journal of Management Development*. Vol. 26 (8), pp. 790.