HUMAN RESOURCE PERFORMANCE APPRAISAL - RANKING THE IMPORTANCE OF DERIVED INFORMATION

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Abstract:
The process of assessing the employee's job performance and productivity is providing useful feed-back to the company's management, offering the possibility to further increase the overall performance of the firm. The paper aims to study and analyze the importance granted and subsequent use of information obtained from the human resource' (HR) performance appraisal (PA) in a selected sample of firms, located in Maramure area, Romania (NUTS3 level – RO114). The interviewed managers rated above average the information provided by the PA process, more than half of the domains reaching scores greater than 5 (where 6 was the maximum possible score). Also, comparing the results we got in the surveyed area with a similar study performed in the United States, by Schuler and Huber, in 1993, we were able to notice that the Romanian managers are behaving quite similar with the ones from US. Concluding, an accurate identification of the organizational development needs is a current requirement for organizational performance, which explains why all domains under investigation were evaluated by surveyed managers as having above average importance.

Keywords: performance appraisal, feed-back, human resource management, organizational performance

1. INTRODUCTION

The human factor is viewed as a resource to be guided, directed and managed (Moldovean, 2000). Human Resource Management (HRM) requires continuous improvement of employee activity in order to achieve organizational goals. In this regard, management must take into account an individuality, with his or her specific features. The successful implementation of Human Resource Management implies a performance evaluation system, as well as a system of incentives and rewards, in accordance with the employees' results.

The requirement for performance appraisal is imposed by rapid technological and scientific development, by the implementation of new technologies and, of course, the internationalization of the competitive market.

Competence assessment has now become a neccessity for all organizations, regardless of their nature. From multinationals to medium-sized or small enterprises, an increasing interest towards this aspect is manifested. With the increasing demands of global competition, all manufacturers are concerned about the quality of their products, about productivity and employees competence.

Since a clear casual link between HRM and organisational performance seems to be somewhat uncertain (Wright, et al., 2004), we decided to at least try to find out how managers appreciate the importance of the results provided by the PA systems in terms of the usefulness of such information in fundamenting future decisions for the organisational development. We tried to answer this by interviewing twenty managers, and asking them to score the importance of each output the PA processes from their organisations are providing.

The questionnaire was based on the one Schuler and Huber (1993) used to conduct such a study in the United States of America in the 90s. We also performed a comparative analysis between data provided by the two studies (ours and Shuler's).

The paper is structured in four major sections. Following Introduction, the next section reviews the dedicated literature on performance appraisal systems, and human resource management, in relation with organizational performance. Section 3 presents the empirical findings, while the final section concludes.

2. THEORETICAL DEVELOPMENT

2.1. Performance appraisal systems

Performance appraisal is an old issue which, over time, has seen an upward trend, in the sense of broadening the assessment methods, of attempts to objectify the performance quantification, of reducing measurement errors and even restructuring the philosophy behind the assessment systems.

Performance is determined by a specific organizational behaviour to which the employee is compensated / rewarded by salary. In the past, staff appraisal systems were based solely on job analysis and were only incidentally related to the objectives or profitability of the organization. Nowadays, Pas have become popular not only for their contribution to the development of professional performance and the benefits to an organization, but also for a much wider applicability they have within the organization (Pitaru, 2006).

There is an extensive body of literature that outlines the objectives of performance appraisal systems. While there are differences in semantics, there is general consensus on the objectives that performance appraisal systems should be designed to achieve. According to Klingner et al. (2010), well-functioning performance appraisal systems should achieve four primary objectives: communicating management goals and objectives to employees; motivating employees to improve performance; equitably distributing organizational rewards such as salary increases and promotions; and providing management with insights that can be used to enhance employees' productivity and job satisfaction.

Performance appraisal systems have many organizational objectives, and also shape how human resources are managed in an organizational context (Jorm, Hunt, & Manning, 1996); (Rolle & Klingner, 2012).

PA can have immediate and limited purpose, but also it may have consequences on a medium term (e.g., staff evaluation for ranking purposes and the establishment of salary scales), or even long-term consequences (e.g., employee assessment as part of the ongoing and integrated personnel management, career management and staff development) (Stoica Constantin & Constantin, 2002).

Martin and Bartol (1998) suggest that effective performance appraisal systems are based on achieving success on three main dimensions: controlling the system (e.g., training raters, linking the process to employee development); monitoring the system (e.g., metrics to ensure the system is working effectively); and providing feedback to those that use the system (e.g., raters and employees).

While assessing past performance is important, performance appraisal systems should also present employees with a plan for performance improvement (Drenth, 1984); (Aguinas, 2009). Further, Boice and Kleiner (1997) report that effective performance appraisal systems help to create a motivated and committed workforce.

2.2. HR Practices and performance

The desire of human resource (HR) practitioners to demonstrate the value of what they do for the rest of the organization has a long history, as Wright et al. (2004) outlined. Drucker (1954) referred to "personnel" managers as constantly worrying about "…their inability to prove that they are making a contribution to the enterprise" (p. 275).

In response to this, a number of researchers attempted to demonstrate that progressive HR practices result in higher organizational performance. Huselid's (1995) groundbreaking study demonstrated that a set of HR practices he referred to as High Performance Work Systems (HPWS) were related to turnover, accounting profits, and firm market value.

Also, MacDuffie (1995) found that "bundles" of HR practices were related to productivity and quality in his sample of worldwide auto assembly plants. Delery and Doty (1996) found significant relationships between HR practices and accounting profits among a sample of banks. Youndt, Snell, Dean and Lepak (1996) found that among their sample of manufacturing firms, certain combinations of HR practices were related to operational performance indicators. More recently Guthrie (2001) surveyed corporations in New Zealand and found that their HR practices were related to turnover and profitability.

Exploring the relationship between HR practices and profitability, Dyer and Reeves (1995) proposed the following causal order: HR practices impacted employee outcomes, which consequently influenced organizational outcomes, thereby affecting financial outcomes, ultimately resulting in market-based outcomes.

Becker and Huselid (1998) provided one of the more detailed models of the relationship between HR practices and firm performance offered to date. In essence, this model suggests that business strategies drive the design of the HR system. The HR system directly impacts employee skills and motivation and the structure and design of work. These factors influence employee behaviour, which translates into improved operating performance. This drives profits and growth, which result in market value.

On the other hand, Wright et al. (2004) demonstrate that HR practices are strongly related to future performance, but that they are also strongly related to past performance, causing caution in making any causal inferences.

3. AN EMPIRICAL STUDY ON THE IMPORTANCE OF PERFORMANCE APPRAISAL PROCESS OUTPUTS

3.1. The methodology

The study seeks to analyze managers' opinion regarding the outputs collected from the performance appraisal processes within their own organization, trying to measure the connotative meaning of the information provided by such processes on several areas of organizational performance, using a semantic differential scale.

The method used for collecting inputs was the survey method. The sample contained 20 items, selected from the Maramure   County Council's database.

Limitations: because the study was conducted on a small sample of firms, one could question the generalizability of the results. We would note that generalizability is not the goal of all research. Some research, such as this, is aimed primarily at testing some theoretical ideas rather than trying to develop generalizable empirical results.

3.2. The survey instrument

Trying to perform a transversal study (Saunders, Lewis, & Thornhil, 1997), a self-administered questionnaire, with multiple-choice answers, consisting of two sections, was designed. Section I began with general items querying the firm's characteristics: its legal form of existence, the industry to which it belongs, the number of employees. In Section II, the respondents were asked to assess the importance of the information resulting from the HR evaluation process. The decisional areas that were addressed in our questionnaire concerning the relevance of the PA process outputs are the same Schuler and Huber (1993) used in their study.

3.3. Empirical results

The interviewed managers had to score, on a scale of 1 to 6 (where 1 corresponds to a complete lack of importance, 3 is neutral, and 6 is very important), the usefulness of the PA' results in nineteen decisional areas from their responsibility range. Table 1 is introducing the scores provided by the investigated sample, together with the average score on each area of the questionnaire, where F1 to F20 represent the firms from the investigated sample, as well as the average score from the Schuler and Huber (1993) study.

The average score for each investigated area was calculated according to the semantic differential scale, developed by Osgood (1975).

The chart from figure 1 graphically illustrates the average score status for those nineteen investigated decisional areas, in comparison with the results Schuler and Huber got in their study.

Table 1: The scores provided by the investigated sample of firms and the ones from Schuler and Huber study

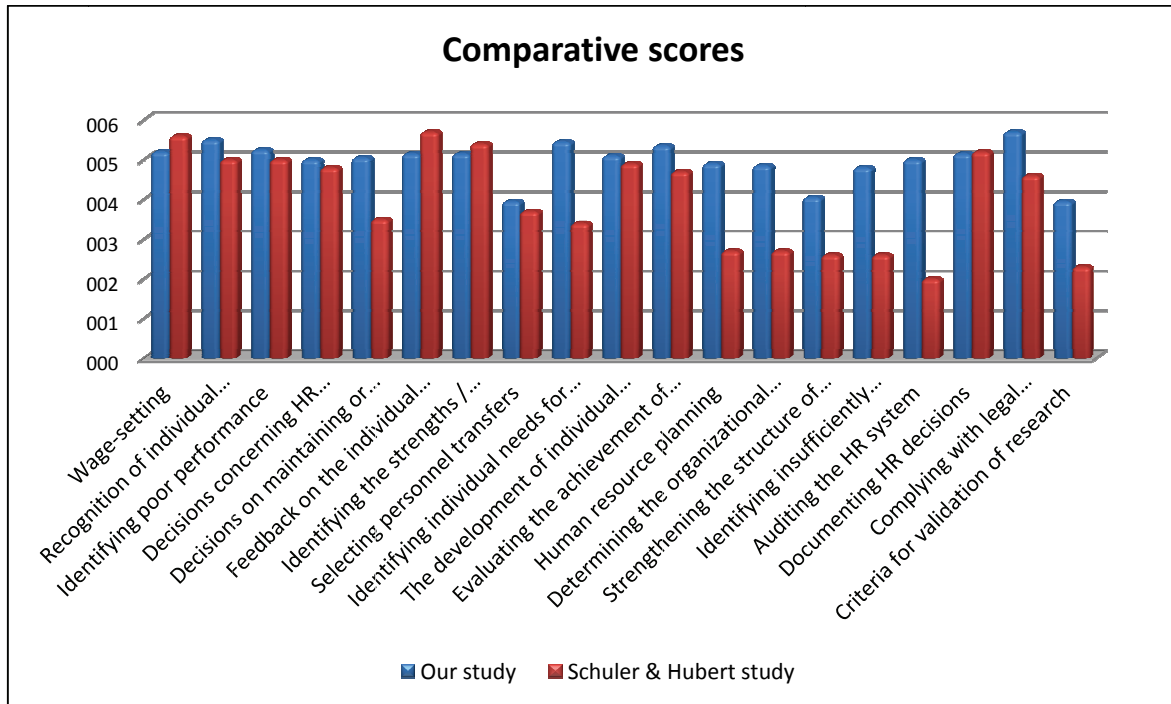| Scores provided / Decisional areas	F1	F2	F3	F4	F5	F6	F7	F8	F9	F10	F11	F12	F13	F14	F15	F16	F17	F18	F19	F20	Average scores from our study	Average scores from Schuler & Huber study
Wage-setting	5	5	5	6	5	6	6	5	5	5	4	4	4	6	6	6	5	6	5	5	5.20	5.60
Recognition of individual performance	6	6	5	6	5	6	6	6	5	6	6	6	6	5	5	3	4	6	6	6	5.50	5.00
Identifying poor performance	5	6	5	6	5	6	4	5	3	5	5	6	6	5	5	4	6	6	6	6	5.25	5.00
Decisions concerning HR promotion	6	4	6	6	5	6	6	5	4	6	5	5	5	5	4	3	3	6	5	5	5.00	4.80
Decisions on maintaining or dismissing an employee	5	2	6	6	6	6	4	5	4	6	5	6	5	5	5	4	5	6	5	5	5.05	3.50
Feedback on the individual performance	6	5	5	5	6	6	5	5	3	6	5	6	6	5	4	5	3	6	6	5	5.15	5.70
Identifying the strengths / weaknesses	6	5	5	5	5	6	4	5	3	6	5	6	5	5	4	6	5	6	6	5	5.15	5.40
Selecting personnel transfers	5	2	4	5	5	5	3	4	2	4	5	5	3	4	4	2	2	6	5	4	3.95	3.70
Identifying individual needs for training	6	5	6	6	5	6	6	5	5	6	6	6	5	5	5	5	4	6	6	5	5.45	3.40
The development of individual and organizational goals	6	2	5	5	6	5	6	5	4	4	6	6	5	5	5	5	5	6	6	5	5.10	4.90
Evaluating the achievement of individual/team/unit goals	6	2	5	6	5	6	6	5	4	6	6	6	6	5	5	6	6	6	5	5	5.35	4.70
Human resource planning	6	3	5	5	6	5	4	5	5	5	4	5	5	5	6	4	4	5	6	5	4.90	2.70
Determining the organizational training needs	6	5	5	5	5	5	4	4	5	3	4	6	5	4	4	5	5	6	6	5	4.85	2.70
Strengthening the structure of authority	4	1	6	4	5	5	4	5	2	4	2	3	5	4	5	1	5	6	5	5	4.05	2.60
Identifying insufficiently developed areas within the organisation	6	2	6	5	5	4	4	4	5	4	6	6	5	5	4	4	4	6	6	5	4.80	2.60
Auditing the HR system	4	2	6	5	6	5	4	5	4	6	6	6	6	6	5	4	5	4	6	5	5.00	2.00
Documenting HR decisions	6	5	6	5	6	6	5	5	4	6	5	6	6	6	6	1	4	5	6	4	5.15	5.20
Complying with legal requirements	6	6	6	6	6	6	6	5	5	6	6	6	5	6	6	4	6	6	6	5	5.70	4.60
Criteria for validation of research	5	1	5	5	6	5	3	4	5	5	4	1	5	3	3	2	3	5	5	4	3.95	2.30

If we take a look to the values recorded for our study, we can notice that the biggest importance of the information provided by the PA is placed on complying with the legal requirements (with an average score of 5.70), closely followed by recognition of individual performance (5.50), and identifying individual needs for training (5.45), what appears to be a natural choice of the management on key areas for organizational performance.

Generally speaking, the investigated managers appreciate above average the importance of the information provided by performance appraisal, since all the decision areas scored above 3.

The information with the lowest utility seems to be one which is meant to support decisions on research validation (3.95). This is probably due to the fact that the R&D function in most Romanian enterprises reached just an early stage of development, so the information which is destined to support this decisional area doesn't seem so important for our managers.

Selecting personnel transfers is also scoring the lowest (3.95), and one possible explanation for this attitude lays in a poorly defined HR policy on internal promotion for most of the firms in our region.

Figure 1: Average scores of the investigated sample of managers in comparison with Schuler & Huber study

When compared with their American counterparts (Schuler & Huber, 1993), the Romanian managers tend to place a greater importance on the information they get on some decisional areas, such as HR planning, determining the organizational training needs, strengthening the structure of authority, identifying insufficiently developed areas within the organisation, or auditing the HR system. We don't have details about the profile of the American managers, but since the Romanian managers are holding top management positions, they might appreciate more the usefulness of information they get on the previously mentioned strategic or tactical areas.

The areas where the American managers seem to be more interested in the information provided are wage-setting, feed-back on the individual performance, identifying the strengths or weaknesses, and documenting HR decisions. These decisional areas belong mostly to the HRM system, and this is an area that Romanian managers should deepen it more, since it's characterized by underdeveloped culture and behaviour.

4. CONCLUSIONS

On the whole, the results we obtained in our study indicates that the Romanian managers are valuing more the information provided by a PA system in their quest for making documented decisions on several areas of organizational performance.

But we should also take into consideration the time gap between the two studies. The whole approach on HRM and PA processes has been improved radically over the years, and nowadays managers are more open to using their specific concepts, and to capitalize on a wider scale information provided by the two.

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