

Digital Transformation of Performance Evaluation System at Lembaga Zakat Negeri Kedah

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ABSTRACT

Performance evaluation systems play a crucial role in human resource management, affecting work satisfaction, productivity, and organizational effectiveness. In the realm of zakat institutions like Lembaga Zakat Negeri Kedah (LZKN), a robust performance evaluation system is essential for fostering employee engagement and ensuring alignment with organizational objectives. This study utilizes a mixed methods approach to assess LZKN's existing performance evaluation procedures, identify opportunities for enhancement, and investigate the prospective advantages of using digital technology to improve the review process. 237 respondents were involved, supplemented with semi-structured interviews and focus group discussions with a select sample of staff and managers. The findings indicate that although the current system offers a fundamental framework for performance assessment, it encounters considerable obstacles, such as perceived subjectivity, insufficient feedback systems, and restricted connection to career advancement. The research emphasizes that the incorporation of digital technologies, including real-time feedback platforms and data analytics tools, may improve the system's transparency, efficiency, and effectiveness. Nonetheless, possible obstacles include opposition to technological adoption, organizational culture, and financial limitations must be mitigated for effective implementation. This initial research establishes a foundation for subsequent studies to explore the connections among digital transformation, job satisfaction, and performance evaluation results. Furthermore, it offers pragmatic solutions for LZKN, encompassing the incremental introduction of digital technologies, extensive training initiatives, and stringent data governance protocols. These tactics seek to enhance performance assessments, promote employee satisfaction, and augment organizational efficiency in mission-oriented entities such as LZKN. This study enhances the conversation on performance management within non-profit organizations, highlighting the significance of digital transformation in the modernization of HR practices. This study provides insights for practitioners and scholars aiming to enhance performance evaluation methods in non-profit and socially orientated organizations.

Keywords: Digital Transformation, Performance Appraisal, Job Satisfaction, Performance Evaluation System, LZKN

INTRODUCTION

In recent years, Malaysia's public sector has seen a substantial digital transformation, motivated by the necessity to enhance efficiency, transparency, and service delivery (Siddiquee, 2019). A pivotal element of this

change is the digitalisation of performance assessment systems, which is essential for maintaining the accountability and efficiency of public sector organisations (Pedrosa et al., 2020). The Government Transformation Program has been a significant factor in the digital transformation, as it is dedicated to augmenting the competency and motivation of public servants and improving public service delivery (Tangi et al., 2021). The program has resulted in the implementation of a variety of initiatives, such as digital performance management systems, which are designed to improve the culture of continuous improvement, enhance transparency, and expedite the evaluation process.

Lembaga Zakat Negeri Kedah (LZNK), a prominent public organisation in Malaysia that is responsible for the administration of zakat in the state of Kedah, has been at the forefront of this digital transformation (Fadhilah, 2021). The organisation has acknowledged the potential of digital technologies to enhance its performance evaluation system, thereby guaranteeing a more efficient and effective distribution of zakat funds to the deserving beneficiaries (Haji-Othman et al., 2020). In order to achieve this objective, digital transformation has emerged as a transformative force in organisational processes, which includes performance evaluation systems. Organisations can transition from conventional paper-based evaluations to more sophisticated, real-time feedback mechanisms through the use of digital tools such as data analytics platforms, employee engagement software, and performance monitoring systems. Halid et al. (2020) conducted research that emphasises the efficacy, transparency, and adaptability of performance evaluations that are improved by digital human resource management systems. In the context of zakat institutions such as LZNK, the integration of digital solutions can simplify the evaluation process, thereby reducing administrative overhead and providing timely insights. This transformation is also consistent with the growing global trend of utilising technology to promote organisational agility and innovation (Rachman & Salam, 2018).

Meanwhile, job satisfaction is another critical factor that is being affected by the effectiveness of performance evaluation systems. Performance evaluations that are effective are not solely concerned with evaluating output; they also have an impact on employees' perceptions of impartiality, recognition, and career development. Job satisfaction is contingent upon the extent to which employees' experiences correspond to their expectations, as theorised by Locke (1970) in his range of affective theory. This connection is supported by empirical research; for example, Hamidi (2023) asserted that job satisfaction is significantly increased by impartial and well-implemented performance evaluations, which cultivate a sense of accomplishment and recognition. In zakat institutions such as LZNK, where employees are frequently motivated by altruistic objectives, it is imperative to guarantee fulfilment through transparent and meaningful evaluations in order to preserve high morale and productivity. Consequently, the digitalisation of the performance evaluation system at LZNK is a strategic initiative that aims to improve the overall impact of zakat management in the state of Kedah, as well as the efficacy of the organisation and the contentment of its employees.

The primary focus of this study is on performance evaluation systems, which are used to evaluate employees' performance and determine its effectiveness. Organisational performance is enhanced by the presence of attributes such as objectivity, clarity, and regularity in a performance evaluation system that is well-functioning (Masoud & Basahel, 2023). A comprehensive evaluation system is essential for organisations that manage public funds, as it not only enables them to achieve operational excellence but also reinforces trust and accountability. This is particularly true in the context of LZNK. These systems can be improved to better meet the requirements of both the organisation and its employees by incorporating digital tools and insights from employee's perception, by identifying existing gaps in the current practices and understanding the impact of digital transformation within LZNK, this study seeks to propose actionable recommendations for enhancing the effectiveness of performance evaluations. Additionally, it aims to examine the current performance evaluation practices in LZNK, identify areas needing improvement, and explore the potential benefits of integrating digital technologies to enhance the evaluation process, particularly in mission-driven organizations like zakat institutions.

Background of Lembaga Zakat Negeri Kedah

The Lembaga Zakat Negeri Kedah (LZNK) is an esteemed zakat institution located in Malaysia, tasked specifically with supervising the collection and distribution of zakat in the state of Kedah. Its establishment is

geared towards fulfilling the Islamic obligation of zakat, thereby playing a crucial role in advancing the socio-economic development of the region by efficiently allocating zakat funds to eligible individuals (Lembaga Zakat Negeri Kedah, 2023). Operating under the oversight of the Islamic Religious Council of Kedah (MAIK), LZNK functions with direction and a strategic approach. The principal aim of the institution is to enhance the quality of life for the Muslim community in Kedah by utilizing zakat contributions to support various welfare and developmental programs. These programs include initiatives for poverty alleviation, educational assistance, healthcare support, and projects for economic empowerment (Majlis Agama Islam Negeri Kedah, 2023). Over time, LZNK has embraced modern management practices and technological advancements to improve its operations.

Through the implementation of digital platforms for zakat collection and distribution, the institution ensures transparency, accountability, and convenient access for both contributors and recipients of zakat. This shift to digitalization has enabled LZNK to expand its reach and impact, streamlining the process of fulfilling zakat obligations for contributors and providing timely assistance to beneficiaries (Ahmad, 2020). Additionally, LZNK actively participates in community engagement and educational initiatives to raise awareness among the public about the importance of zakat in promoting social justice and equality. Through these efforts, LZNK aims to increase zakat contributions and ensure that the benefits of zakat are widely felt throughout the state of Kedah. The current evaluation system in place at LZNK, while functional, may not fully align with contemporary best practices or effectively meet the evolving needs of the organization and its personnel. There are indications that enhancements could be made to the existing criteria and processes to better support employee growth, job satisfaction, and overall organizational efficiency. Based on this, this study seeks to identify these deficiencies and recommend improvements to the system.

LITERATURE REVIEW

Performance Evaluation Systems

The evaluation of performance systems plays a crucial role in enabling the identification and management of activities across diverse sectors within an enterprise. The effectiveness of this procedure heavily relies on the active involvement of all relevant stakeholders essential for the implementation of the system (Aguinis, 2019). This transcends mere human resources matters. It is imperative for leaders to comprehend how their choices, as well as those of their subordinates, can impact the performance of other divisions and the organization holistically. Individuals responsible for deploying the performance appraisal system should possess a thorough understanding of quantifiable variables, limitations, and elements influencing these metrics. It is common for distinct units within the organization to utilize varying performance criteria. Routine assessment of pivotal performance indicators and subsequent reporting can aid managers in grasping the overall organizational performance and formulating strategies to enhance their teams' effectiveness in the long term (Aguinis, 2019; Bititci et al., 2018).

Performance appraisal is essential for providing feedback, recognizing achievements, and identifying areas for enhancement (DeNisi & Murphy, 2017). They are integral in aligning individual performance with organizational strategic goals, thereby ensuring that employees contribute significantly to organizational objectives (Gruman & Saks, 2011). In the context of zakat organizations, assessing performance has the capacity to enhance the effectiveness and efficiency of zakat collection and distribution efforts (LZNK Annual Report, 2020).

Performance evaluation encompasses the methodical appraisal of an individual's job performance at regular intervals, coupled with an assessment of their potential for future progression, in order to ensure the attainment of high-quality results. Conversely, a performance evaluation framework serves as a mechanism for reaching the objectives delineated in the performance assessment process. This framework comprises diverse methodologies including performance appraisals, evaluation records, interviews, documentation on training and development among others (DeNisi & Murphy, 2017).

Traditional performance evaluation methods often rely on periodic reviews conducted by supervisors. These methods can be subjective and may not provide timely feedback necessary for continuous improvement

(Pulakos et al., 2015). Additionally, the existing systems may not fully capture the dynamic nature of job roles and responsibilities in modern organizations (Adler et al., 2016). Therefore, for LZNK, it is essential to embrace a more comprehensive and flexible strategy for evaluating performance.

Digital transformation

In order to modernize organizational processes, including performance evaluation systems, digital transformation has become a crucial strategy. The adoption of digital tools and frameworks by zakat institutions such as Lembaga Zakat Negeri Kedah (LZNK) offers the potential to improve transparency, enhance operational efficiency, and ensure alignment with organisational objectives. LZNK can transition from manual or semi-automated processes to fully digitised performance evaluation systems through digital transformation. Tools such as real-time feedback systems, cloud-based Human Resource Management Systems (HRMS), and employee engagement platforms provide substantial enhancements in the monitoring and evaluation of employee performance. The research conducted by Halid et al. (2020) highlighted the positive impact of digital HR technologies on performance evaluations by reducing biases and enhancing transparency. The adoption of such systems by LZNK can facilitate data-driven decision-making, reduce administrative burdens, and expedite the evaluation process, thereby nurturing trust among employees and stakeholders.

A notable benefit of digital transformation in performance assessment is the capacity to utilize sophisticated analytics. Data visualization dashboards, predictive analytics, and machine learning algorithms empower managers to discern performance patterns, pinpoint areas necessitating intervention, and make educated choices. Rachman and Salam (2018) assert that digital technologies offer actionable insights that enhance the precision and pertinence of performance evaluations. In the context of LZNK, the use of data analytics helps guarantee that assessments are both consistent and linked with the institution's objectives of optimizing social effect and resource distribution.

Digital platforms enhance employee involvement in the appraisal process, fostering a feedback-rich environment. Platforms facilitating self-assessments, peer evaluations, and ongoing performance feedback increase employee engagement and happiness (Rosele et al., 2022). For LZNK, where employees may assume many jobs from administrative duties to fieldwork, these tools may offer a comprehensive perspective on performance, ensuring that each employee feels appreciated and acknowledged. Although digital transformation offers advantages, it also presents obstacles. Concerns include data security, opposition to change, and the necessity for personnel upskilling must be resolved to facilitate a smooth transition. Elgohary and Abdelazyz (2020) asserted that extensive training programs and change management methods are essential for mitigating resistance and facilitating the smooth integration of new technology. For LZNK, these difficulties may be especially pertinent due to its distinctive status as a faith-based organization. Meticulous preparation and stakeholder involvement will be essential to alleviate these risks and guarantee effective execution.

Job Satisfaction

Job satisfaction is crucial to the effectiveness of performance assessment systems, particularly in mission-driven organizations. A well-structured assessment procedure cultivates staff morale, boosts motivation, and guarantees alignment with organizational objectives. Comprehending the complex connection between work happiness and performance assessment methods is essential for attaining enduring organizational efficacy. A crucial factor influencing work satisfaction in performance assessment systems is the perceived equity and clarity of the procedure. Employees are more inclined to experience satisfaction when they view the evaluation process as impartial and uniform (Husain et al., 2020). For LZNK, establishing a system that enables employees to comprehend the criteria for performance evaluation and providing avenues for feedback will bolster trust and motivation. This is particularly crucial in a faith-based organization because moral and ethical issues are fundamental to operations.

Efficient performance assessment systems include consistent feedback and gratitude, which are crucial factors in work satisfaction. Employees that get positive feedback see greater value and are incentivized to enhance

their performance (Hamidi, 2023). Feedback recognizing LZNK employees' contributions to the organization's social objective can enhance their feeling of purpose and dedication. Recognition measures, such as staff rewards or commendations, can augment pleasure by acknowledging accomplishments in zakat collection and distribution. Performance evaluation methods that actively involve employees in the process typically improve job satisfaction by promoting a sense of participation and ownership. Zhou et al. (2019) discovered that systems using participatory approaches, including self-assessments and goal-setting activities, enhance engagement levels. For LZNK, using participatory techniques may foster a sense of connection to the institution's goal among personnel, hence enhancing their organizational commitment.

Furthermore, fostering a culture of continual development via performance reviews may greatly influence job satisfaction. Employees like systems that prioritize learning and development rather than punitive actions (Firdaus et al., 2022). For LZNK, conceptualizing evaluations as avenues for professional growth and organizational learning, instead of only performance assessments, helps foster a pleasant workplace atmosphere that promotes enduring contentment. To this end, the digital transformation of the performance evaluation system at Lembaga Zakat Negeri Kedah might substantially influence the organization's operational efficiency and satisfaction of employees.

METHODOLOGY

This study employs a mixed-methods approach, combining qualitative and quantitative data collection and analysis methods. This approach provides a comprehensive understanding of the current performance evaluation system at LZNK and identifies areas for improvement (Abdul Halim et al., 2023). Qualitative data were analysed using content analysis to identify common themes and patterns related to the performance evaluation system. This analysis provided a deeper understanding of the areas requiring improvement and the potential impact of digital transformation. Quantitative data were collected through surveys administered to LZNK employees.

This study constitutes preliminary research, concentrating on an exploratory analysis of the existing performance evaluation processes at Lembaga Zakat Negeri Kedah (LZNK). The primary objective is to discover areas for enhancement and evaluate the feasibility and possible advantages of integrating digital technology into the performance assessment process, rather than analysing or establishing causal correlations between variables. The study utilizes a mixed methods approach to offer a comprehensive overview of current difficulties and possibilities, establishing a foundation for future research that may explore particular linkages or outcomes in greater depth. This fundamental research aims to provide actionable insights and practical solutions to improve the efficiency, transparency, and effectiveness of the performance evaluation system, therefore aligning it more closely with organizational objectives.

Population and Sampling

The study employs a census methodology, incorporating the whole population of interest as respondents (Wright, 1998). This methodology guarantees representation of all LZNK staff members, so reducing sample bias and offering a comprehensive viewpoint. The total number of returned questionnaires were from 237 employees across many departments and operational functions within LZNK.

The mixed methods technique entails the collection of both quantitative and qualitative data via various semi-structured interviews and focus group discussions done with employees and managers. Examine the constraints and limits of the existing system, while also investigating the viewpoints of employees and managers regarding the potential advantages of digital transformation, and identify particular needs and recommendations for enhancing the performance review process. A structured questionnaire is designed to encapsulate the demographic features of respondents. The analysis step combines quantitative and qualitative data to achieve a thorough understanding. Thematic analysis was employed on open-ended replies, and focus group conversations were coded to discern reoccurring themes and insights. Descriptive statistics were employed to assess demographic characteristics as shown in Table 1.

FINDINGS

Table 1: Demographic Profile Analysis

Item	Frequency (n)	Percentage (%)
1. Gender		
Male	74	31.22
Female	163	68.78
2. Age		
20 - 30 years	81	34.18
31 - 40 years	100	42.19
41 - 50 years	34	14.35
51 - 60 years	22	9.28
3. Current Workplace (at LZNK)		
Branch (District)	84	35.44
Headquarters	153	64.56
4. Highest Education Level		
SPM/STPM/STAM	32	13.5
Certificate/Diploma	75	31.65
Bachelor's Degree	107	45.15
Master's/PhD	23	9.7
5. Length of Service (years) at LZNK		
Less than 2 years	7	2.95
3 – 5 years	116	48.95
6 – 8 years	84	35.44
9 years and above	30	12.66
Total	237	100%

From the demographic profiles above, respondents are predominantly female, constituting 68.78% (163), whilst males represent 31.22% (74). This signifies a fair gender disparity, implying possible reasons affecting recruitment or labour retention across genders. A plurality of employees (42.19%) belongs to the 31-40 age group, while 34.18% are in the 20-30 age range. Employees aged 41-50 and 51-60 constitute lesser segments of the workforce with 14.35% and 9.28%, respectively. This indicates a comparatively youthful workforce, maybe signifying recent hiring patterns or a focus on attracting younger talent inside the organization. A majority of employees are located at the headquarters (64.56%), while 35.44% are employed in branch offices in various areas. This distribution indicates the centralization of workforce operations and strategic positions at headquarters, potentially affecting resource accessibility and decision-making at branch offices.

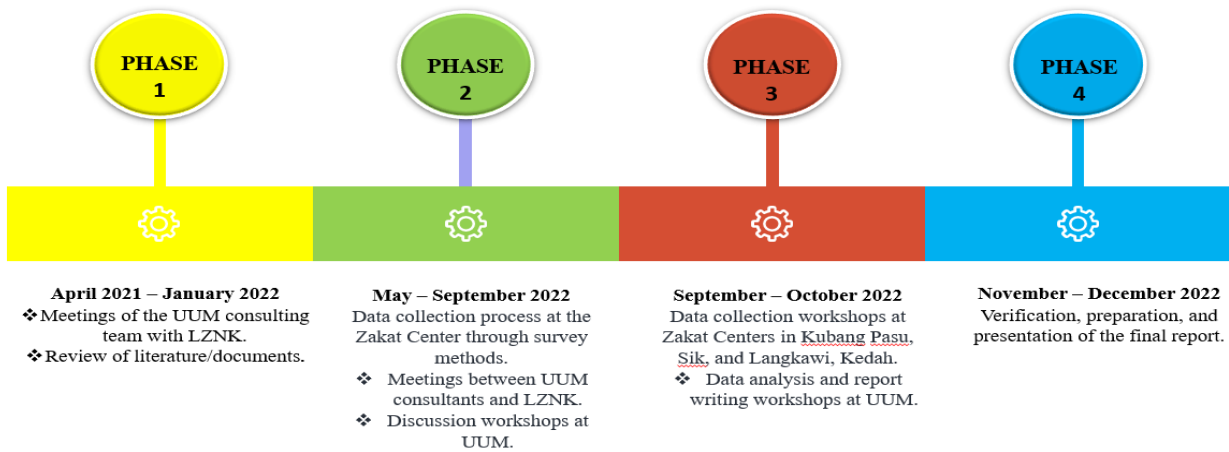
Employees possessing Bachelor's degrees constitute the predominant category at 45.15%, succeeded by individuals with Certificates/Diplomas at 31.65%. A lesser percentage has postgraduate credentials (Master's/PhD) at 9.70%, whilst 13.50% possess SPM/STPM/STAM qualifications. This indicates a well-educated workforce, with a significant focus on undergraduate degrees as a regular prerequisite. A substantial percentage of employees (48.95%) have worked with LZNK for 3-5 years, while 35.44% have been employed for 6-8 years. Merely 12.66% have been working for over 9 years, while 2.95% possess less than 2 years of service. This distribution underscores a workforce with middling tenure, maybe reflecting effective retention tactics throughout certain periods, however fewer long-term employees.

The substantial presence of women may reflect LZNK's inclusive hiring policies or the characteristics of the positions that appeal to a greater number of female applicants. Strategies that equalized gender representation may be examined to promote varied viewpoints. The prevalence of younger staff signifies prospects for innovation and the adoption of new approaches. Nevertheless, it also raises apprehensions over possible knowledge deficiencies stemming from the inadequate participation of senior, more experienced personnel. Centralization at headquarters may enhance decision-making efficiency but might also pose obstacles to the autonomy of branch offices. Evaluating resource distribution and assistance for branches might improve

organizational efficiency. The elevated proportion of Bachelor’s degree holders signifies a proficient workforce attuned to professional requirements. Nonetheless, initiatives to enhance postgraduate participation may foster competence and research-oriented contributions within LZNK. The prevalence of medium-tenured personnel (3-8 years) may suggest the efficacy of mid-term retention initiatives. The reduced proportion of long-term employees may require strategies to maintain employee engagement and facilitate career advancement over extended durations.

Semi-structured interviews and focus group discussions are integral elements of the qualitative phase of this study, intended to enhance the quantitative data obtained via surveys. These approaches entail including a select group of employees and managers in organized yet adaptable discussions to obtain comprehensive insights into their experiences, perspectives, and recommendations concerning the existing performance evaluation systems at Lembaga Zakat Negeri Kedah (LZNK). The semi-structured style enables researchers to balance predetermined questions with the flexibility to investigate emerging topics, allowing participants to comment on subjects they deem relevant. Focus group talks promote dynamic interaction among members, allowing for the discovery of common difficulties, varied views, and collaborative recommendations for enhancement. These qualitative methods are essential for revealing intricate information that surveys may overlook, offering a deeper and more thorough comprehension of the assessment system and its potential for improvement via digital transformation, the following figures illustrating information gathering process and the conducted focus group discussions with LZNK staff.

Information Gathering Process



Conducted focus group discussions with LZNK staff



DISCUSSION

This study aims to examine the findings carried out at LZNK which unveiled the endeavours in the digital evolution of performance evaluation systems. Drawing upon previous research on digital transformation, particularly in the realm of human resource management systems, performance evaluation systems, and organizational change, strategies are deduced through the outcomes of interviews with stakeholders. The discoveries from the interviews reveal four implementation strategies that necessitate thorough analysis and efficient execution to guarantee the triumph of digital transformation. These strategies encompass readiness at all organizational levels, comprehension and ownership, meticulous preparation of resources and infrastructure, and the pivotal impetus for success consolidated by the organization. These findings furnish practical insights to professionals and underscore the pressing need for human resource management to adjust to the transformations induced by industry 4.0.

The objective of this study was to examine the tactics involved in the implementation of digital transformation within performance evaluation frameworks, as demonstrated through a case analysis conducted at LZNK. Through engagements with the Human Resources division, it was discerned that there exist four essential strategies crucial for the incorporation of digital transformation in performance evaluation systems. These strategies encompass the necessity for comprehensive readiness across all organizational tiers, from frontline staff to top-level management, as well as the importance of ownership and comprehension to facilitate a thorough integration process requiring mental, technical, informational, and adaptive preparedness for engaging with digital platforms. Adequate resources and infrastructure, covering expenses, time allocation, amenities, tools, and technologies, need to be meticulously arranged. The pivotal drivers for the triumph of the digital transformation system are the provision of support and the demonstration of unwavering dedication. The aspects of responsibility and leadership mandate that all staff possess a deep understanding and proficiency in utilizing digital transformation tools to guarantee their organizational obligations and uphold their pledged commitments.

Malaysia has made significant strides in the realm of e-government, with a variety of digital initiatives undertaken to reinvent governance and service delivery (Siddiquee & Mohamed, 2015). The country's Government Transformation Program has emphasized the importance of leveraging technology to improve the performance and accountability of public sector organizations (Kasim et al., 2016). In this vein, LZNK, as a key player in the administration of zakat (Islamic alms) collection and distribution, has recognized the need to modernize its performance evaluation system to enhance transparency, data-driven decision-making, and employee engagement.

The digital transformation of the performance evaluation system at LZNK involves the integration of various technology-enabled solutions, such as online performance tracking, real-time feedback mechanisms, and data visualization dashboards. These innovations have the potential to streamline the performance management process, foster greater collaboration between management and employees, and enable data-driven decision-making to optimize service delivery and resource allocation (Janjua et al., 2019).

Rationale for Digital Transformation in Performance Evaluation Systems

Digital transformation involves integrating digital technologies into organizational processes to enhance efficiency and effectiveness. In performance evaluation, digital tools can streamline the process, provide real-time feedback, and enable more accurate and objective assessments (Marler & Boudreau, 2017). Technologies such as performance management software, mobile applications, and data analytics can significantly enhance the evaluation process by making it more transparent, efficient, and aligned with organizational goals (Bondarouk & Brewster, 2016).

Prior studies (Smith, 2020; Johnson, 2021) suggest that enhancing traditional performance management by integrating advocacy skills or cultivating a digitally proficient workforce can enhance perceptions of lender quotas, leading to a more satisfactory representative system, thereby boosting job satisfaction and improving role perception. This study aims to investigate the factors that determine users' behavioural intentions towards adopting a digital performance appraisal system within a zakat organization. These factors include individual

traits, institutional environment, and technological aspects. The findings help to enhance understanding of system usage and provide insights into identifying key factors that can enhance an organization's ability to successfully implement digital systems (Algazo et al., 2024).

The emergence of digital technologies has brought about a significant transformation in how organizations oversee and assess the performance of their employees. Within the sphere of the public sector, there exists an increasing necessity to deploy efficient performance assessment mechanisms that make use of digital resources to improve transparency, productivity, and responsiveness to citizens' needs. As a result, this study investigates the digital transformation of the performance appraisal framework at LZNK, with the objective of identifying the key drivers, challenges, and potential benefits of this transition.

Challenges and Benefits of Digital Transformation in Performance Evaluation Systems

However, the implementation of such a digital transformation initiative is not without its challenges. Factors such as organizational culture, digital literacy, and resistance to change can pose significant barriers to the successful adoption and sustained use of these digital tools. Effective change management strategies, robust training programs, and a strong commitment from leadership will be crucial to overcome these obstacles and realize the full potential of the digital performance evaluation system.

As Malaysia continues to strive towards becoming a regional and global leader in e-government, the experiences and lessons learned from LZNK's digital transformation journey can provide valuable insights for other public sector organizations seeking to modernize their performance management systems (Siddiquee & Mohamed, 2015). Moreover, innovative performance management has the potential to enhance the operational efficiency and effectiveness of internal processes within LZNK, thereby leading to a higher standard of service delivery. The evolving landscape presents new challenges and expectations for the public sector, driven by a more diverse customer base that demands improved service quality (Bester & Hofisi, 2020). Consequently, there is a need for innovation within the public sector to adapt to the dynamic environment, where what was once certain may no longer hold true in the future.

In LZNK, hour-long discussions regarding performance evaluation systems between frontline leaders and their employees appear to be boundless in scope. The transformation from the old familiar practices to the desired state of performance evaluation is a crucial aspect that needs to be thoroughly examined. Such discussions, which highlight the existing state in comparison to the envisioned future state, can be effectively facilitated. The essential tools for this purpose are a pristine whiteboard and a proficient team specializing in performance and digital transformation.

The primary objective of the system is to primarily focus on generating performance ratings and documenting time. The associated paperwork is often perceived as tedious by most employees. The conventional system primarily oversees activities rather than outcomes. Limited resources often constrain the performance of team members, resulting in no recognition when the entire team surpasses expectations. Therefore, traditional performance evaluation fails to incentivize optimal performance. In the absence of monetary rewards linked to performance, employees may question their motivation to participate. Feedback is frequently biased, with leaders providing more attention to employees they favor, thereby undermining the effectiveness of the feedback mechanism. Employees and frontline leaders frequently illustrate the challenges of traditional performance evaluation as an unavoidable aspect of organizational operations.

A comprehensive system has the capacity to store data pertaining to performance, such as Annual Appraisal, Self-Appraisal, Key Performance Indicator (KPI), and Training & Development. LZNK can also construct a management dashboard that amalgamates all information derived from the assessment of user objectives, enabling swift responses to data modifications. This transformation will streamline reporting processes, rendering them more manageable and efficient. LZNK stands to gain a competitive edge in meeting social obligations and overseeing employee performance evaluations, aspects that are in high demand within the engineering sector. Furthermore, this transformation will shield LZNK from risks like potential user dissatisfaction, user attrition, challenges in meeting user needs, and potential organizational insolvency.

The transformation establishes LZNK as a centralized hub for fulfilling social responsibilities and managing performance evaluations of government officials in Zakat-related matters. Additionally, it will simplify access for LZNK stakeholders, allowing them to utilize the system anytime and anywhere, provided an internet connection is available. Document processing would also become more streamlined through this transformation, eliminating the need for excessive paper usage. Cost reduction, including the streamlining of member approval processes, will also be another key outcome. Moreover, upgrading the current system will boost the number of zakat payers contributing to Zakat in Kedah.

CONCLUSION

Generally, in response to the limitations of previous studies on digital transformation initiatives that focus on the success factors, this study has implications for the digital performance evaluation approach, reducing the security threats and risk instruments involved. In most digital perspective studies, it measures its success by the adoption of the previous transformation project. Therefore, this study emphasizes the readiness and the intention to undergo digital transformation. The necessity to be prepared is the readiness factor, while the desire to transform is demonstrated by the intention scale. Both variables play an important role in the emergence of innovation. The integration of digital technologies into the performance evaluation process can address many of the identified weaknesses. Digital tools can provide real-time feedback, enhance transparency, and ensure that the evaluation process is continuously updated to reflect the changing needs of the organization and its employees. In brief, the digital transformation of the performance evaluation system at LZNK represents a significant step towards enhancing the efficiency, transparency, and responsiveness of public service delivery. By leveraging the benefits of digital technologies, the organization can foster a culture of continuous improvement, data-driven decision-making, and employee engagement, ultimately contributing to the broader goals of the Government Transformation Program.

Subsequent research on evaluation systems, especially concerning zakat institutions such as LZNK, may explore in further depth the specific topics highlighted by this exploratory study. Initially, research may explore the relationship between digital transformation and job satisfaction, analyzing how the incorporation of digital technologies affects employees' views of equity, transparency, and general contentment. Secondly, longitudinal studies are advised to evaluate the enduring effects of digital transformation on organizational productivity and effectiveness. Furthermore, comparative analysis might investigate performance evaluation methodologies across various zakat institutions or non-profit organizations to discern optimal practices and contextual variations. Future research should use experimental methods to evaluate specific digital treatments, yielding substantial proof of their effectiveness. Finally, examining the influence of training programs and change management practices on the adoption of digital technology may provide practical insights for effective implementation.

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