

Effectiveness of Performance Appraisal System in Employee Development: A Systematic Review

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ABSTRACT

The success of any organization depends on employee performance. Committed employees enable the organization to achieve its goals whereas, underperforming employees can lead to the downfall of the organization. To develop a reliable and impartial way of evaluating employees, organizations must understand the key benefits of employee performance. Performance appraisal is one of the methods commonly used by organizations to measure and evaluate employee performance. This research aims to evaluate the effectiveness of performance appraisal systems in supporting employee development through a systematic literature review. The Systematic Literature Review (SLR) method was applied to identify, assess, and synthesize relevant studies from various academic sources and industry publications. Inclusion criteria included studies published from 2021 - 2024, which focused on performance appraisal systems and their impact on employee development. The results of this review indicate that an effective performance appraisal system contributes significantly to improved employee performance and professional development.

Keywords: Performance Appraisal, Employee Development

INTRODUCTION

The greatest assets in almost all organisations are their human resources. They exceed the value and importance of physical assets such as buildings, land, equipment, and vehicles. (Anstey et al., 2017). In both types of organisations, public and private, human resources are considered critical to organisational performance. For every organisation, there are three resources which are human, physical, and financial. These three human resources are the most critical and important. (Najeeb, 2011). It is identified that human resources help organisations in achieving organisational goals or can defeat organisational expectations for growth. It is also reported that workforce performance is valuable in the context of employee and organisational development as success depends on employee performance (Najeeb, 2011). Today, every organisation aims to improve employee performance to achieve organisational goals. To enable organisations to achieve competitive advantage over competitors globally, employees play a very critical role (Oaya et al., 2017). Employee performance determines the success of the company, assessing employee performance should be done appropriately.

Performance appraisal is one of the key factors in HR practices that determine organisational success in the modern world. The achievement of any organisational goal depends on the performance of its workers and their competence and employability. Competent and skilled employees with more employability can do more, and the organisation can easily achieve its desired position. It is reported that the performance of an organisation mainly depends on the performance of its workers. Today, the workplace has turned into a highly competitive world, and every organisation uses performance appraisal systems to address employee training needs as well as promotion decisions, and also help identify work alienation intentions. An approach or procedure where workers' work outcomes are assessed once a year apart from constant efforts to provide training and feedback is specifically a performance appraisal rather than a performance management system. As many researchers have found that employee performance appraisal is fundamental for management to prepare for the future and regularly to improve work quality, reduce employee dissatisfaction, and decline in work performance. (Shrestha,

S. & Chalidabhongse, J., 2006).

Performance appraisal plays an important role in employee training and development and can be used to identify and initiate the process of providing relevant training and development in their study. Mwema and Gacunga (2014), found that performance appraisal enables the identification of training needs for staff and therefore organisations are able to provide the necessary training thereby helping employees achieve their performance targets.

Belcourt et al, (2002) examined that the main purpose of training is to help the organisation achieve its goals. In addition, training programmes should be established with a focus on organisational goals and strategies. Most organisations emphasise on capacity building programmes to employees as a critical human resource management practice for employee engagement.

According to Armstrong (2009) managing performance is a way to get better results within an agreed period of time while maintaining organisational standards and competencies. Performance appraisal is very broad and is a potentially important instrument for organisations to maximise the potential of their employees. (Armstrong and Baron, 2005). Although performance appraisals are applied to various levels of employees and at various levels, sometimes these performance appraisals are considered to be merely administrative, quite mechanical, ineffective, and do not provide significant benefits to improving employee performance as reported by (Torrington et al., 2011). Critics argue that performance appraisals are not a very reliable tool for measuring performance employee and organisational performance. Nonetheless, performance appraisal systems are considered to be quite efficient and seem to achieve good results for organisations. (Dauda & Luki, 2021).

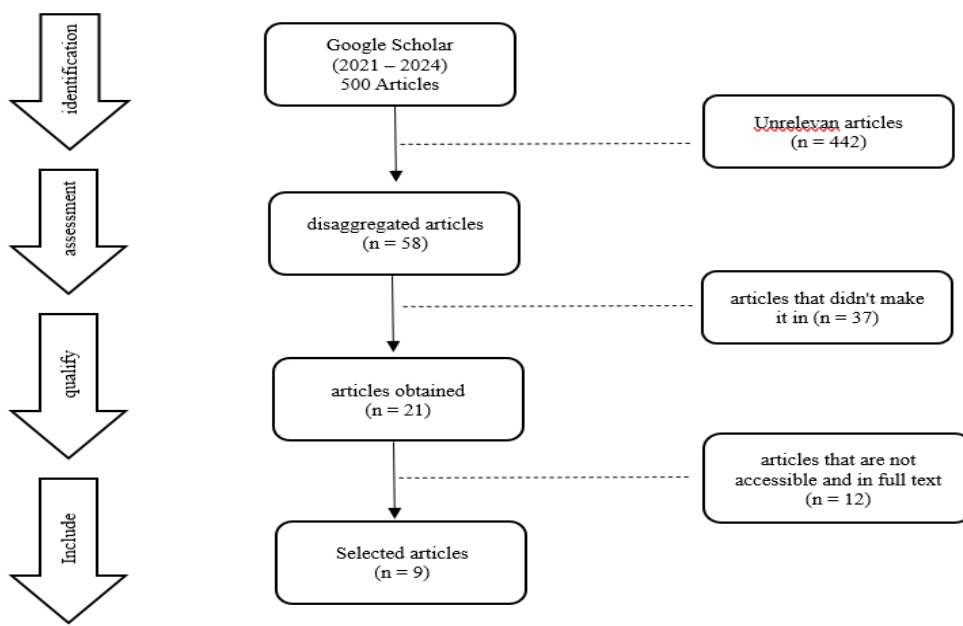
Career development is an activity in a worker's life that makes the worker more competent in terms of insight and ability and can develop their personal potential to realise a job position that suits their dreams (Dessler, 2009). Every worker clearly needs development in their job. Although some employees think that great job development depends on luck, in the process of career development itself, it is necessary to develop the right strategy by utilising advantages. The career development process itself certainly requires the preparation of appropriate strategies accompanied by the use of maximum benefits, so that the work experiences significant development as expected. Development in work usually has different timing and treatment during the process of a worker's career journey, differences in interest that require alternatives for career development, for example opportunities for work breaks, reduced work schedules, or increased workloads that are influenced by the conditions of each worker accompanied by opportunities in the work of the institution (Crowley-Henry, 2012).

Career development is a basic element that must be done to manage the quality of human resources in a company (Sari and Sinulingga, 2011). Organisations in the process of career development in a particular position focus on helping workers to achieve qualifications that are very important in the career development process. The career development process, the insights they have, the competencies needed for optimal career development requirements and conditions (Richard, 2004). Meanwhile, career development which has a different process has an impact on different understandings for each worker (Meriam et al., 2012) (Syah, Syaharudin, & Nurhardjo, 2018).

METHODS

This paper uses a literature systematic method with guidance using PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) on international journals that examine the effect of performance appraisal on employee development. Journal searches used the Google Scholar database. The inclusion criteria for the journals reviewed were: (1) Journals in English and Indonesian; (2) Journals available in full-text; (3) Journals examining the effect of performance appraisal and employee development; (4) The population studied was employees; (5) Journals released in 2021 - 2024. Exclusion criteria are (1) Journals that are not in accordance with the topics discussed; (2) Systematic review and literature review journals; (3) duplicate journals; (4) Journals that use languages other than Indonesian and English.

The search was conducted with the keywords "the influence of performance appraisal with employee performance".



PRISMA Diagram: Stages of Systematic Review

RESULTS

Journal Findings Table

No	Name Author and Title	Year	Number of Samples	Factors associated	Results
1	Saefullah, U. A. Impact of Performance Appraisal and Career Development on Job Satisfaction of Banking Employees.	2021	1002	<ul style="list-style-type: none"> · Job Satisfaction · Employee Development 	<ul style="list-style-type: none"> · the better the performance appraisal, the higher employee job satisfaction will be. · the better the performance appraisal, the better the employee's career development
2	Iftitakhul Baroroh The Effect of Job Appraisal on Employee Performance Through Employee Career Development	2023	55	<ul style="list-style-type: none"> · Performance Assessment · Employee Performance · Career Development 	<ul style="list-style-type: none"> · the better the job appraisal, the better the employee performance. · Job Appraisal has a significant effect on career development. · Career development has a significant effect on employee performance
3	Desi Permata Sari, Influence of Performance Assessment and Work Quality on Career Development and Work Presentation As An Intervening Variable at The Agriculture Service	2021	100	<ul style="list-style-type: none"> · Performance Appraisal · Quality of Work · Career Development · Job Achievement 	<ul style="list-style-type: none"> · there is a significant positive effect of work quality on career development. · there is no significant positive effect of work quality on job performance. · there is a significant positive effect · significant effect of performance appraisal on career development.

4	Dudung Hadiwijaya, The Effect of Work Assessment and Work Motivation on Employee Performance at The Tirta Kerta Raharja Regional Water Mining Company in Tangerang District	2021	30	<ul style="list-style-type: none"> · Performance Appraisal · Work Motivation · Employee performance 	<ul style="list-style-type: none"> · Performance appraisal has a significant influence on employee performance. · Performance appraisal and work motivation together have a significant effect on employee performance at the Regional Drinking Water Company Tirta Kerta Raharja Tangerang Regency.
5	Rustan Ali, The Effect of Job Performance Appraisal and Career Development on Employee Job Effectiveness	2021	31	<ul style="list-style-type: none"> · Work effectiveness · Work performance assessment · Career Development 	<p>There is a significant influence between work performance appraisal and career development on the work effectiveness of employees of PT Pos Indonesia (Persero) Parepare Branch. This means that the higher the work performance appraisal and career development given to employees will result in employee work effectiveness will increase otherwise the lower the work performance appraisal and career development given, the lower the employee work effectiveness</p>
6	Dewi Marlinda, The Effect of Work Performance Assessment and Compensation on Work Motivation and Its Impact on Employee Performance at Bank Central Asia Tbk Jambi Main Branch Office	2021	56	<ul style="list-style-type: none"> · Job performance appraisal · Compensation · Motivation · Performance 	<ul style="list-style-type: none"> · work performance appraisal directly and indirectly affects employee work motivation · compensation significantly affects employee work motivation · work performance appraisal directly and indirectly affects employee performance
7	Muhammad Zaki Dama, Influence of Performance Assessment (Kpi) And Kpi Accordance on Employee Performance in The Operational Division of Ptpn Viii	2022	55	<ul style="list-style-type: none"> · Key Performance Indicators · Performance Assessment · Employee Performance 	<ul style="list-style-type: none"> · performance appraisal and KPI conformance have a positive influence on employee performance · the higher the suitability of KPIs, the employee performance will increase
8	Eno Yunitasari,	2021	48	<ul style="list-style-type: none"> · performance appraisal, work productivity, simple linear regression 	<ul style="list-style-type: none"> · Performance appraisal has a significant effect on employee productivity

	The Influence of Performance Appraisal on Work Productivity at Pt. Jimmulya Palembang				
9	Aamir Kibria, Investigating Linkages of Performance Appraisal, Employee promotion and Job Satisfaction with Employee Performance In banking Sector of Pakistan	2021	280	<ul style="list-style-type: none"> · Performance Appraisal, · Job Satisfaction, · Employee promotion 	<ul style="list-style-type: none"> · Performance Appraisal (PA) is significantly related to employee performance. Employee promotion also affects employee performance and job satisfaction. This suggests that employee promotions create job satisfaction among employees and lead to improved employee performance

DISCUSSION

The performance appraisal system has helped improve work performance. Regular performance appraisals lead to employee motivation. Performance standards are measured and compared with individual evaluations which is important for employee motivation. Performance appraisal can be considered a technique that has a positive effect on work performance and employee motivation. Employees can be motivated if the appraisal process is based on accurate and up-to-date job descriptions. Performance appraisals identify performance issues to improve employee productivity and motivation.

According to Leon C. Megginson (2017) argues that job performance appraisal is a process used by leaders to determine whether an employee is doing his job as intended. According to Andrew E. Sikula (2017) employee appraisal is a systematic evaluation of employee work and potential that can be developed. Assessment is the process of assessing or determining the value, quality or status of some object, person or thing. Based on the above opinion, in line with research conducted by Rustan Ali (2021), namely employee performance appraisal is a process of assessing employee performance carried out by company leaders systematically based on the work assigned to them, providing bonuses, wage increases, transfers and termination of employee employment.

Career development is the process of identifying an employee's career potential and materials and implementing appropriate ways to develop that potential. In general, the career development process begins with evaluating employee performance. This process is commonly referred to as performance appraisal. According to Andrew J. Fubrin (2017) career development is an employee activity that helps employees plan their future careers in the company so that the company and the employees concerned can develop themselves to the maximum.

Work motivation is an encouragement for someone to behave and act regularly to achieve their goals. The existence of high work motivation can affect performance improvement so that it can produce a good performance appraisal. In line with research conducted by Dudung Hadiwijaya, (2021) which states that performance appraisal and work motivation together (simultaneously) have a significant influence on employee performance. In addition, high work motivation results in good quality work so that it can produce good employee performance, from the results of good work performance that can affect employee performance appraisals which can also affect employee development. This is in accordance with research conducted by Desi Permata Sari, (2021), which states that there is a significant positive influence between work quality on career development.

Job satisfaction is linked to job-related factors such as turnover, performance, and commitment. This research expands knowledge about human resource management factors (such as performance appraisals and promotions) that lead to employee satisfaction and higher performance. This is in accordance with research conducted by

Saefullah, (2021) which says that if the performance appraisal is getting better, the employee's job satisfaction will be higher, and the better the performance appraisal, the better the employee's career development. Job Appraisal has a significant effect on Employee Performance. From the results of the research described above, it can be concluded that Job Appraisal affects Career Development.

SUGGESTIONS

This study recommends the need to examine the relationship between performance appraisal and employee performance by incorporating organisational structures and processes with a focus on improving employee commitment and performance. Superiors should discuss achievable goals with employees and there should be regular reviews. Timely feedback should be discussed with employees on an individual basis. Employees who achieve targets should be recognised to increase their satisfaction and poor performers should be reprimanded. The implications and suggestions expected from this research are that it can contribute to the company in optimising the work appraisal system for employee performance. In addition, it can be input and consideration for the parties involved in improving the organisation. Related parties in improving, directing the organisation into a competitive organisation that is able to answer all challenges including the ongoing global challenges. Global challenges that will take place. Through improving the factors that influence career development and employee performance in carrying out their functions and duties for the achievement of functions and duties for the achievement of organisational goals.

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