

The Impact of Performance Appraisal on Employee Motivation at PT. Galatta Lestarindo Medan

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ABSTRACT

The effect of performance appraisal process on employee motivation established that the system is important for employee motivation. Performance appraisal system has helped improve job performance at work. But so many company forget about how useful this system is, which lead to decrease of employee motivation, and PT. Galatta Lestarindo Medan also having this problem, such as high of turnover, it happened because the employees are unmotivated and unsatisfied to continue working in this company. The population that is used in the research is the total employees who are active working September 2015 in PT. Galatta Lestarindo Medan that are 37 people. The sampling technique is called as census sampling. Census sampling method is method which takes all the population as the sample. In analyzing questionnaires, the writer used validity test and reliability test, to analyze the data, use statistics, correlation test, determination test, linear regression, and hypothesis test. The correlation test shows that performance appraisal really have an impact through employees performance at PT. Galatta Lestarindo Medan, the result is positive and strong effect on employees' performance at PT. Galatta Lestarindo Medan. $z_{count} > z_{table}$ ($5.16 > 1.96$), This means the Null hypothesis (H_0) is rejected and the alternative (H_a) is accepted.

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1. INTRODUCTION

Incentives and benefits provided by the organization are very important for the profession, career and progression. Performance evaluation designed for personal encouragement, position, inspiration and conduct upgrading, perfection, inverse administrative and directional purposes, along with nurturing enthusiastic relations between the administration and workforce. Appraisals are responsible for a familiar, standard, recognized, verified and an outline for potential and possible development. In diminutive, appraisal systems and occupation decision are important for management and organizations. Performance appraisal should be treated as a permanent developing enhancement to a certain amount than a set once-a-year review.

Appraisal frequently record a valuation of a worker's performance, probable and development requirements. The performance appraisal is an opportunity to take a general view of work content, masses and volume, work satisfaction to look back on what has been achieved and agree objectives and goals for the next. In current ages various organizations have been busy executing innovative, different or better-quality performance management systems. Current research displays that the consistent and steady practice of these system pointers to better and healthier organizational consequences.

Encouragement and inspirations are the internal objective or an outlying stimulation and motivation to

carry out for several methods to influence basically a practice, in additional achieving, spangled employees intended for effectiveness and strength of trashing all society afterwards imperious for the test of administration to motivate moreover, the ultimate employee's. Motivation generates a foremost and prevailing module when successful through the practice of social information and understanding. If the collection does not hold the competence to encourage or stimulate its employees, the material and statistics within the group is not fundamentally used to an extreme.

The basic purpose of my study is to know the impact of performance appraisals including promotions, incentives and benefits in employees' motivation. In sum, this study is fundamental and investigational demonstration of a theoretical and operational way to know about appraisal system. So, I choose this area for research to know the interactive effects of appraisals on employees' motivation and the organizational performance.

In this era of global competition, organizations cannot afford uncommitted and unmotivated employees. According to Fizzah Iftikhar(2014), "An effective system of performance appraisals is an integral component of the performance management system, allowing employees to feel that their contributions add to the success of the organization and motivating employees to strive to add to that success."

PT. Galatta Lestarindo is a company that engaged in the production of fertilizer industry. Their factory is located in Pancur Batu, while the office is located on Jalan Putri Hijau Baru no.11-11a, Medan. PT. Galatta Lestarindo is a big company that has around 175 employees, which consists of 138 factory employees and 37 office employees). But the writer is focusing on the office employees. Almost every organization, in one way or another goes through a periodic ritual, formally or informally, known as performance appraisal. Performance appraisal system (PAS) has been viewed as an effective tool for human resource management by academics and human resource practitioners. Lately, performance appraisal in PT. Galatta Lestarindo is no longer being considered, if they do, it only happens once in a while. And even so, not all employees get the impact. The employees in this company seem much unmotivated and not loyal lately, lead to high labor turnover, especially the employees who have worked over 7 years. For example, when it comes to a decision where employees would get salary increase, not everyone get the impact. Sometimes the employees who work there for years, which their salaries are high already, they won't get increase salary anymore. Other case, when one employee quits, company often do not find a new employee to do that job. Instead, company will choose one of the working employees to do the job. And even they have extra works to do, sometimes they won't get any extra salaries or reward for that. But base on the employees who are still working here, this kind of condition happened since a couple years ago. Before that, they always receive increase of the salaries once a year, rewards or bonuses. This is the reason why there was less employee turnover before two years ago, while recently, there are a lot of the employees choose to leave the company.

This action causes the employees to be unmotivated which affect their job performance as well. Inaccuracies in appraisal can de-motivate employee, this can affect the employee loyalty and commitment and affect the organizational performance as a whole. Hence better practices of performance appraisal should be used which will motivate employees and helps in the overall growth of the organization.

2. LITERATURE REVIEW

2.1. Performance Appraisal

Performance appraisal is one of the most important components of human resource management. How people worked in the past, what changes are required in future to make the production system effective, that are the weaknesses of the system and how to improve. These actually refer to the evaluation of employee of job which is called performance appraisal. Performance appraisal functions as a valuable management assessment tool and a superior employee motivation weapon. And the basic purpose of performance appraisal is to analyze the performance of the employee in the past to improve the performance of the employee in the future. Performance is the contribution and appraisal is the procedure of measuring the contribution. Performance appraisal is the process of bringing together the purpose of performance management like counseling, training, motivating, improving performance etc. that helps the manager or supervisor to train them to achieve the goals of department to achieve the goals of organization. Performance appraisal can be defined as something given in return for good done recompense, remuneration, compensation for services. Actually this is the strategies used by human resources management to force and motivate the employee to achieving the goals by giving them well facilitation. According to Sarvadi (2010), "Every organization's reward system should focus on these major areas; compensation, benefit, recognition and appreciation."

According to Dessler (2005, p.310), "Performance appraisal means to evaluate an employee's current and past performance relative to the employee's performance standards." It's a process which involves creating work standards; evaluate employee's actual performance relative to those work standards; and giving feedback to employee so as to motivate him or her to improve the job performance or to eliminate performance deficiency. In the conclusion it can be said that performance appraisal is a process of evaluating employee's current and/ or past performance relatives to his or her performance standards. Performance

feedback then lets the employee know how well they have performed in comparison with the standards of the organization.

2.2. Employee Motivation

According to McShane (2009, p.34), motivation represents the forces within a person that affect his or her direction, intensity and persistence of voluntary behavior. According to Luthans (2010, p.179), the simplest form of job design involves moving employees from one relatively simple job to another after short time periods (one hour, half-days, every day). Direction refers to the path along which people engage their effort. People have choices about where they put their effort; they have a sense of what they are trying to achieve and at what level of quality, quantity and so forth. In other words, motivation is goal-directed, not random. People are motivated to arrive at work on time, finish a project a few hours early, or aim for many others targets. The second element of motivation called intensity is the amount of effort allocated to the goal. Intensity is all about how much people push themselves to complete a task. For example, two employees might be motivated to finish their project a few hours early (direction), but only one of them puts forth enough effort (intensity) to achieve this goal. Finally, motivation involves varying levels of persistence that require continuing the effort for a certain amount of time. Employees sustain their effort until they reach their goal or give up beforehand. Remember that motivation exists within individuals; it is not their actual behavior. Thus, direction, intensity and persistence are cognitive (thoughts) and emotional conditions that directly cause us to move.

According to Selvarajan and Cloninger (2011, pg. 10), performance appraisal system is usually identified as a critical element for boosting employee motivation. It is an important drive that looks for better, more accurate, more costeffective ways for of evaluating job performance and employee motivation. Some of the positive results of performance appraisals are providing encouragement to employees to perform better in the future, identify the strength and weakness of the employees, provides a more open communication between supervisor or managers to the employee, and many more. Employee motivation is often considered as a driving force of any employee within a company that determine their work determination, the number of efforts placed into their work, and even how the employees behave during working in the company (Jones & George, 2008). What this means is that motivation is one of the factors that can enhance the work performance of an employee. Motivation is the drive of the people's psychological state that moves their behavior and direction. When an employee are lacking in motivation in their work, they will not only be unproductive, but they will be discouraged and does not participate completely in their work.

The motivation of the employees could improve after the positive appraisal process. It is defined as the employees' personal want to improve their work and performance after they received their feedback and utilized the results to help them improve. Meanwhile, it can also be defined as the motivations for future improvements of the employee are based on the results of their performance appraisal system (Roberson & Stewart, 2006).

3. METHODOLOGY

3.1. Research Design

Research design is used to assist the researcher to conduct a research in a systematic way and to determine whether there are any correlations between variable. According to Creswell (2009, p.49), research design is the research process that involves the overall assumptions of the research to the method of data collection and analysis. In this research design, the writer use correlation research by gathering necessary information with interviews and questionnaire. According to Jackson (2011, p.148), correlation method is a type of research method that describes the relationship between two measured variables. In addition to describing a relationship, correlations allow the writer to make predictions from one variable to another. In doing this research about performance appraisal analysis to increase employee motivation at PT. Galatta Lestarindo Medan, the writer used descriptive research which is a study of problems based on facts from population. According to Fitzpatrick (2011, p.93), descriptive research involves collecting and analyzing data to characterized a group, concept or phenomenon. Descriptive research is also known as statistical research; and causal research which is to know the relationship between two variables or more by using hypothesis and theories.

3.2. Research Object

Research object is information about the object to be research, the location, time and date, population and number of sample that are taken to conduct a research. The research is done to observing business activities in a company. Research object is information about the object to be research, the location, time and date, population and number of sample that are taken to conduct a research. The research is done to observing business activities in a company. Population is a whole of group research object as the source of data with a certain characteristics in the research. A sample is a subset of your population by which you select to be

participants in your study.

Sampling is simply stated as selecting a portion of the population, in your research area, which will be a representation of the whole population. In term of population, according to Arikunto (2006, p.134): “Apabila subjek penelitian kurang dari 100 orang lebih baik diambil semua, sehingga penelitian ini merupakan penelitian populasi. Selanjutnya, jika subjek besar maka diambil sample 10-15% atau 20-25% atau lebih.” (if the subject is less than 100, its better to take the whole number of population as the sample, so that the research is the population research. But if the amount of subject is more than 100, the sample can be taken from 10–15% or 20-25% or more.) The total population in PT. Galatta Lestarindo Medan is 37 employees. Therefore, in this case the writer took all the population which is 37 employees. The sampling method used is census sampling; census sampling is collection of data from whole population is taken as sample.

4. RESULTS

4.1. Test of Reliability

After all questions are valid, the writer uses SPSS to test the reliability of questionnaires. Test of reliability is used to know the consistency and stability of the measuring instruments. The reliability result can be seen in below.

For Variable X (Performance Appraisal):

Cronbach's Alpha	N of Items
.892	6

For Variable Y (Employee Motivation):

Cronbach's Alpha	N of Items
.927	8

To check whether the questionnaires are reliable or not, the wrtier needs check at the scale of reliability test which if $\alpha > 0.60$, the data is acceptance data reliability. From the result, it can be seen that the reliability of the questionnaire is 0.892 and 0.927, which is bigger than 0.60 means the data is acceptable, reliable, and trustworthy and consistent.

4.2. Test of Normality

In order to know the sample is normal is not, The writer uses SPSS to calculate it, which shown in below.

One-Sample Kolmogorov-Smirnov Test

		Appraisal	Motivation
N		37	37
Normal Parameters ^{a,b}	Mean	13.1892	16.2162
	Std. Deviation	3.03533	3.04718
Most Extreme Differences	Absolute	.240	.228
	Positive	.178	.117
	Negative	-.240	-.228
Test Statistic		.240	.228
Asymp. Sig. (2-tailed)		.575	.075

a. Test distribution is Normal.

b. Calculated from data.

From the result, it can be seen that the significant or probability value for performance appraisal is 0.575 and for employees motivation is 0.075, which is greater than 0.05 which means the sample is normal.

4.3. Test of correlation coefficient

To measure how strong the effective of variables X (performance appraisal) towards variable Y (employee motivation) is, the writer uses SPSS in order to calculate the correlation coefficient of variable X towards variable Y as shown in below

		Appraisal	Motivation
Appraisal	Pearson Correlation	1	.860**
	Sig. (2-tailed)		.000
	N	37	37
Motivation	Pearson Correlation	.860**	1
	Sig. (2-tailed)	.000	
	N	37	37

** . Correlation is significant at the 0.01 level (2-tailed).

From the result, it can be seen that the correlation coefficient of variable X (performance appraisal) towards variable Y (employee motivation) is 0.860, which 0.860 means that performance appraisal has a strong relation towards employee motivation at PT. Galatta Lestarindo Medan.

4.4. Test of Determination

The test of determination can be calculated by using correlation coefficient that already been calculated in previous analysis. The writer uses SPSS to calculate the determination which shoewn in below:

Model Summary ^b				
Model	R	R Square	Adjusted RSquare	Std. Error of theEstimate
1	.860 ^a	.740	.733	1.57495

a. Predictors: (Constant), Appraisal

b. Dependent Variable: Motivation

From the result, it can be seen that the determination is 0.740. It means that 74% of employee motivation is affected by performance appraisal.

4.5. Test of Linear Regression

Linear regression is used to detemine how to pattern of the relationship between performance appraisal and employee motivation. The wrtier uses SPSS to calculate the result. The result is shown in below:

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

1	(Constant)	4.824	1.170		4.124	.000
	Appraisal	.864	.086	.860	9.988	.000

a. Dependent Variable: Motivation

From the result, it can be seen that a (constant) is 4.824 and b (coefficient of linear regression) is 0.864 based on this, then the equation for linear regression is as follow:

$Y = a + bx$ $Y = 4.824 + 0.864x$ Therefore, if: $x=0$, then $Y = 4.824 + 0.864(0) = 4.824$ $x=1$, then $Y = 4.824 + 0.864(1) = 5.688$ $x=2$, then $Y = 4.824 + 0.864(2) = 6.552$ $x=3$, then $Y = 4.824 + 0.864(3) = 7.416$ $x=4$, then $Y = 4.824 + 0.864(4) = 8.28$ and so on.

The coefficient of linear regression of 0.864, shows that employee motivation will increase as much as 0.864 with every one unit increased to performance appraisal.

4.6. Test of Hypothesis

The last is hypothesis test, the writer will use z-test because the number of population is bigger than 30. This test is to know whether the hypothesis is being rejected or accepted. The calculation as follow:

$r = 0.860$ $Z = \frac{r\sqrt{N-1}}{\sqrt{1-r^2}} = \frac{0.860\sqrt{37-1}}{\sqrt{1-0.860^2}} = \frac{0.860\sqrt{36}}{\sqrt{0.2596}} = \frac{5.16}{0.5096} = 10.12$ $-Z_{table} < Z_{count} < +Z_{table}$ H_0 is accepted, H_a is rejected $Z_{count} < -Z_{table}$; $Z_{count} > +Z_{table}$ H_a is accepted, H_0 is rejected H_0 : Performance appraisal does not have any impact on employees motivation at PT. Galatta Lestarindo Medan. H_a : Performance appraisal has an impact on employee motivation at PT. Galatta Lestarindo Medan.

From the calculation above, the writer got Z_{count} equal to 5.16, while the Z_{table} is 1.96 since the confidence level is 95%. From this we can see that $Z_{count} > Z_{table}$ ($5.16 > 1.96$), it means that H_0 is rejected and H_a is accepted. The writer can conclude that Performance appraisal has an impact on motivation at PT. Galatta Lestarindo Medan.

5. DISCUSSION

Most of the employees respond disagree that the company evaluate them based on the job description and they also disagree that the result of the evaluation is always discussed with the employees to improve performance.

Most of the employees respond disagree that the company gives feedback to improve the employees' performance.

Most of the employees respond disagree that company encourages their participation in giving ideas. Most of the employees respond disagree that the company gives salary based on their performance.

Test of validity for variable X and Y is all valid

The reliability for Variable X is 0.892, while for variable Y is 0.927. As in the table of reliability scale test in Chapter III, the 0.892 and 0.927 > 0.60 means the questionnaires data is acceptable, and trustworthy and consistent.

From the calculation of normality, the significant or probability value for performance appraisal is 0.575 and for employee motivation is 0.075. which 0.186 and 0.272 are greater than 0.05 which mean the datas are normal.

From the calculation of correlation coefficient between variable X (performance appraisal) and variable Y (employee motivation) the writer got the result of 0.860. It means the performance appraisal has strong relationship with employee motivation at PT. Galatta Lestarindo Medan.

5. CONCLUSION

The practice of performance appraisal in PT. Galatta Lestarindo Medan is slowly being neglected. And for now, it is hardly ever being considered, even if they do, not all employees get the impact.

The employee motivation in PT. Galatta Lestarindo Medan is low. Employees feel much unmotivated working in here. One of the reasons is the salary, which is not balanced with their performance. It leads to high employee turnover in this company.

The performance appraisal does really impact the employee motivation in PT. Galatta Lestarindo Medan. As I mentioned before, the performance appraisal is slowly being neglected, it leads to the unmotivated employees of this company as well. In conclusion, the low practice of performance appraisal does really impact to low level of employee motivation.

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