

Performance appraisal from the perspective of employees in a telecommunication company in Albania

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Abstract

This study aims to provide an overview of the performance appraisal system from the perspective of employees in a telecommunication company in Albania. The effectiveness of this system will be attached special priority in our study. Performance appraisal is used as an essential part of the Human Resources system in an organization, helping to measure performance and trying to motivate employees. By this work we intend to answer questions such as: Does effective performance appraisal motivate employees to work harder and improve their performance? Is performance appraisal a valuable tool that helps in employee development? Different statistics and data collected from the employees of One Albania that have had at least one performance appraisal will be analysed in this study. The entire study will be subject to review of literature sources and critical analysis. It aims to help Human Resources department in making decisions such as: promotions, compensations and benefits. The study will certainly continue with some conclusions to be introduced at the end, associated with key recommendations from the author, in order to better understand the effectiveness of performance appraisal system.

Keywords: evaluation; system; motivation; effectiveness; organization

1. Introduction

Today's business landscape is dynamic, with globalization, free markets, and intense competition. Companies must adapt and maintain their competitive position. To do this, organizations need to enhance performance consistently. The workforce and their expertise are crucial, serving as valuable assets and a competitive advantage. Employee engagement and satisfaction are pivotal for organizational success, longevity, and competitive prowess. The organization's performance appraisal system affects employee engagement. Unfortunately, traditional appraisal processes breed resentment and are perceived as ineffective and unjust.

Organizations must recognize the importance of performance appraisal as a critical human resource tool. It is integral to their operations. However, there is a need to reform and refine

these procedures for fairness, effectiveness, and employee satisfaction. By addressing these concerns, organizations can unlock their workforce's true potential, foster a positive work environment, and sustain a competitive advantage in an evolving business landscape.

2. Literature review

2.1. Definition and purpose of Performance Appraisal

Performance Appraisal can be defined as “What is expected to be delivered by an individual or a set of individuals within a timeframe. What is expected to be delivered could be stated in terms of results or efforts, tasks and quality, with specification of conditions under which it is to be delivered” (Malhotra, 2012)

According to Meenakshi (2012), Performance Evaluation is crucial for organizational decision-making. It influences promotions, allocation of incentives, employee development, and training needs. Before conducting evaluations, organizations establish objectives, job descriptions, expectations, provide feedback, and offer training as required. (Hillman, Schwandt & Bartz, 1990, p.20).

Performance appraisal (or performance review) is an opportunity for individual employees and those concerned with their performance, typically line managers, to engage in a dialogue about their performance and development, as well as the support required from the manager. (CIPD, 2013).

According to Fletcher (2004), Performance Appraisal serves various general objectives, including staff motivation, succession planning, identifying potential, promoting manager-subordinate dialogue, and formally assessing unsatisfactory performance. Obisi (2011) emphasizes that organizational performance and its effectiveness can only be achieved through continuous evaluation of individuals, which explains why performance appraisal has become a prevalent practice in almost every organization. Its usage expanded beyond military officers and senior management around the 1980s (Taylor, 2005).

The roots of performance appraisal can be traced back to ancient times, with evidence of its existence as early as the third century. One of the earliest recorded instances of performance appraisal in an industrial context can be attributed to Robert Owen at New Lanark Mills in Scotland around 1800. The popularity of performance appraisal in the industry grew steadily, and by the early 1950s, 61% of organizations conducted such appraisals, compared to only 15% immediately after World War II (Spiegel, 1962).

To improve the assessment process, Smith and Kendall (1963) introduced rating scales known as Behaviorally Anchored Rating Scales (BARS**), which gradually replaced other assessment methods. BARS offered the advantage of requiring fewer inferences from the rater, positioning the evaluator more as an observer rather than a judge (Schwab, Heneman &

DeCotiis, 1975). In contemporary organizations, performance appraisal continues to play a significant role. A 2009 report by the CIPD revealed that 81.3% of surveyed organizations incorporated performance appraisal as part of their performance management process.

2.2 360 Degree Assessment

360-degree appraisal is an inclusive performance evaluation approach that involves gathering feedback from various sources in all directions. According to De Nisi and Griffen (2008), it encompasses input from superiors, subordinates, and peers. Rees, W, D, and Porter (2003) define 360-degree appraisal as a process that engages key individuals within a person's network of work relationships to provide performance assessments. This comprehensive approach enables management to gain a holistic view of an individual's strengths and weaknesses from multiple perspectives, facilitating a more accurate assessment of their true performance (Conway, J. M., 1996).

By incorporating feedback from subordinates, managers, employees, internal and external customers, and suppliers, 360-degree appraisal acknowledges the potential reactions and insights from various stakeholders. It also serves to mitigate the bias inherent in top-down assessments conducted solely by managers. De Cenzo and Robbins (1996) suggest that evaluators should evaluate areas in which they possess significant working knowledge, aligning the evaluation with the organizational level of the employee being assessed. This ensures that the assessors have the opportunity to observe the individual's performance directly, reducing the chances of inaccuracies that may arise when the assessor lacks direct visibility.

2.3 Assessment according to degrees

One of the most popular methods is the one based on the construction of several construction steps. To build performance with this method, a form must first be built in which a series of criteria are marked in a column on the left, and on the right, any scale, which allows to show up to what extent the individual owns or responds to each criterion (Koli, 2005).

According to Armstrong (2006), performance appraisal serves as a forward-looking tool that helps organizations identify the necessary actions individuals need to take in order to meet new challenges and fulfil the purpose of their jobs. Performance management, as described by Walters (1995), is a systematic process aimed at directing and supporting employees to work effectively and efficiently in alignment with the organization's needs. Williams (1996) emphasizes that performance management creates a shared vision of goals within the organization, enabling individual employees to understand their roles and contribute to overall performance improvement. Performance appraisal holds a central position within performance management systems, serving as a key focus for individual development (Fletcher, 2004). De Nisi and Griffen (2008, p.318) state that performance management encompasses a range of activities carried out by organizations to enhance employee

performance. A study conducted in the United Kingdom revealed that performance management practices positively influence organizational commitment and job satisfaction.

Fletcher and Williams (1996) suggest that effective performance management systems are grounded in jointly set goals and guided by the organization's business strategy (Lawler, Benson & McDermott, 2012). From a psychological perspective, performance assessment is increasingly valued as a communication and social process, diverging from traditional measurement instruments.

2.4 Employee perception

The perception of employees regarding HR interventions significantly influences their success within an organization (Rahman & Shah, 2012, p.10). In the context of performance appraisal, the effectiveness and usefulness of the process rely on the mutual benefit experienced by both the evaluator and the evaluated. Their active participation is essential for the system to function effectively.

The opinions of employees regarding performance appraisal systems hold great importance for the ongoing success of an organization (Dipboye and Pontbriand, 1981). The fairness of performance appraisals, as perceived by employees, plays a crucial role in determining the effectiveness of these systems (Erdogan, Kraimer & Liden, 2001).

While extensive literature examines the success of performance appraisal systems based on appraisal accuracy and qualitative aspects, it is reasonable to assume that employee reactions to the appraisal system also have a significant impact on its success (Cawley, Keeping & Levy, 1998). Their attitudes, perceptions, and overall experience of the appraisal process contribute to the overall effectiveness and outcomes of the system.

Fletcher (2004) outlined three key factors that employees consider significant in a performance appraisal process. These factors include:

- The perception of the assessment being accurate and fair.
- The quality of the existing relationship with the evaluator.
- The impact of the evaluation on their rewards and overall well-being.

Cawley (1998) suggests that subordinate reactions to the performance appraisal serve as a valuable measure of their opinions regarding the system. Main reactions that can be evaluated is their satisfaction with the assessment are:

- their satisfaction with the assessment;
- services;
- they feel/don't feel fairly valued;
- how motivated they are by the assessment;

- accuracy of the system.

Employees are more likely to embrace and participate in a performance appraisal when they see it as a chance for personal growth and showcasing their skills (Boachie-Mensah & Seidu, 2012). However, if employees view the appraisal as unfair and controlling, they are less likely to welcome it.

For Performance Appraisal to yield desirable outcomes, it is crucial for the system to uphold certain key aspects such as confidentiality, provision of informative feedback, clear instructions, and a focus on education. Achieving an effective assessment requires the integration of the appraisal process into the very essence of the organization, where values are an integral part of daily work life (Piggot-Irvine, 2003). Rankin and Kleiner (1988, p.14) asserted that effective performance appraisals rely on six crucial factors. These include:

1. Clear and specific definition of performance goals.
2. Identifying and measuring different levels of performance in concrete terms.
3. Linking personal rewards to organizational performance.
4. Collaboratively identifying improvement strategies and creating a development plan between the supervisor and the employee.
5. The appraiser providing feedback on their effectiveness within the performance appraisal process.
6. Ensuring that the performance evaluation system adheres to legal requirements.
7. Establishing a strong connection between performance appraisal and organizational goals is vital for the effectiveness of the appraisal process.

Performance evaluation serves the purpose of collecting valuable information and measurable metrics about employees' actions and company operations, providing valuable insights for management to enhance employee productivity, working conditions, morale, and internal workings of the organization (Rahman & Shah, 2012). Effective managers view performance appraisal systems as tools for managing rather than merely measuring subordinates, utilizing them to motivate, guide, and develop their team members (Wiese & Buckley, 1998, pg244).

Cawley (1998) has demonstrated that active involvement in the appraisal process is closely linked to employee satisfaction and acceptance of the performance appraisal system. Employee participation is a crucial component of dynamic motivation strategies that foster employee growth and development (Roberts, 2003). Giving employees a voice through their participation in the appraisal system empowers them to express their dissatisfaction and reject appraisals, creating a sense of cooperation that cultivates relationships and reduces tension and conflicts that may arise during the appraisal process (Folger, 1987, as cited by Roberts, 2003).

Pettijohn, Taylor, and Keillor (2001) identify participation and perceptions of justice as integral factors in shaping employee job satisfaction and organizational commitment. They conclude that performance appraisal systems can be effectively utilized to enhance employee satisfaction levels, work engagement, and motivation.

2.5 Benefits of Performance Appraisal

A well-designed performance appraisal system brings various benefits to both employees and the organization as a whole. These benefits, as outlined by Fisher (1995), include:

Benefits for the organization:

- Improved performance resulting from effective communication, enhanced cohesiveness, and stronger management-staff relationships.
- Clearer identification of training and development needs.
- Ongoing enhancement of the organizational culture.
- Competitive advantage in the marketplace.
- Creation of a work environment where employees feel valued and appreciated.

Benefits for valued staff:

- Strengthened relationships with line managers.
- Increased job satisfaction.
- Enhanced understanding of performance expectations.
- Greater awareness of individual strengths and weaknesses.

Benefits for the manager conducting the assessment:

- Improved relationships with employees.
- Enhanced awareness of organizational dynamics.
- Better understanding of individual employees, including their strengths and weaknesses.
- Facilitation of management decisions, such as salary increases and promotions.

These benefits demonstrate the value and importance of an effective performance appraisal system in promoting employee development, organizational growth, and overall success.

3. Methodology

3.1 General purpose

The primary objective of this study is to explore the perceived effectiveness of performance appraisal systems from the standpoint of employees. The impact of the appraisal system's

effectiveness can significantly influence both employees and the organization. The research aims to investigate the opinions of employees within the organization regarding the performance appraisal process and their perception of its effectiveness as a valuable tool.

3.2 Objectives

The study aimed to achieve the following objectives:

- Assess the current status of the performance appraisal system in terms of its effectiveness, reliability, and quality.
- Evaluate the perceived fairness of performance appraisal practices in One Albania.
- Measure the level of satisfaction with the performance appraisal process.

3.3 Research questions

- Is performance appraisal an effective tool that helps in employee development?
- Does performance evaluation influence employees to be more motivated at work?

This study includes qualitative and quantitative characteristics, giving an analysis of the self-perception that employees have about the performance evaluation system. The quantitative characteristics are related to the various statistical analyses that were performed in this study, while the qualitative ones are related to the research questions that we want to answer.

3.1.1. Selection of the sample

A structured questionnaire was used to elicit data from the respondents. Respondents were randomly chosen. On June 2022 the instrument for the main study was pre-tested in some other subjects in order to see the progress of the application of the questionnaire and the shortcomings it could have as well as the measurement of its reliability. The collected data underwent analysis using the Statistical Package for the Social Sciences (SPSS). Alpha or reliability was calculated in relation to the questionnaire and after 2 weeks the second test for the reliability of the questionnaire became possible and we have the following results.

Reliability Statistics

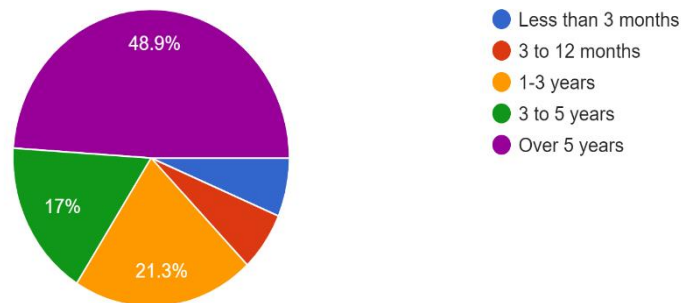
Cronbach's Alpha	No Elements
.817	20

Out of a total of 405 staff, a sample of 98 respondents was selected. Due to the diversity of the company, the questionnaires were purposively distributed to all departments in order to be as comprehensive as possible. The analysis that was carried out was based on two programs Microsoft Excel 2007 and SPSS software version 20. Each of these were used for certain purposes: Excel for performing data analysis and SPSS for statistical operations.

4 Results and discussions

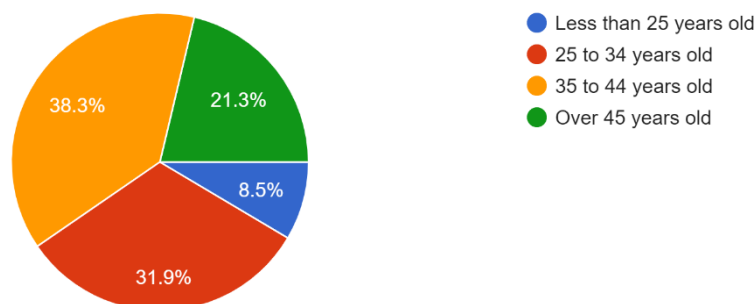
4.1 How long have you been in this company?

The findings depicted in Figure 1 reveal that a significant portion of the participants (48.9%) had accumulated over 5 years of experience within the institution, while 17% had worked between 3 to 5 years. These employees are likely to have undergone the performance appraisal process multiple times, granting them a deeper understanding of the system. As a result, they are better positioned to offer pertinent insights that can facilitate a more equitable assessment of the performance appraisal system. This aligns with the assertion made by Gurbuz and Dikmenli (2007) that individuals who have undergone the performance appraisal process on several occasions gain valuable information, knowledge, and experience through the feedback mechanism.



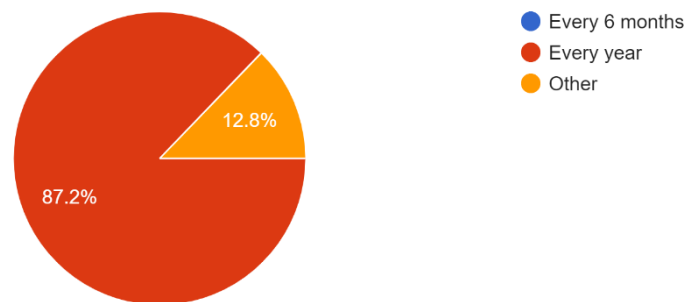
4.2 Age

The findings presented in Figure 2 provide a summary of the age distribution among the respondents. The results indicate that a significant proportion of the participants (70.2%) fell within the age range of 25 to 45 years. A smaller percentage (8.5%) were 25 years and below, while 21.3% were 45 years and above. These results suggest that the majority of employees in the sample were relatively young. Gurbuz and Dikmenli (2007) propose that the perception of performance appraisal does not significantly differ between younger and older employees. This implies that both younger and older employees share similar views regarding performance appraisal errors, as well as their level of commitment and willingness to engage in the appraisal process.



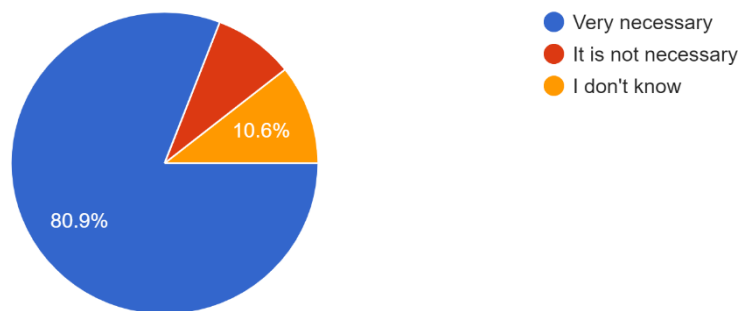
4.3 How often is the evaluation process done in your organization?

The results in Figure 3 show that majority of the respondents (87.2%) know the frequency of PA in their company. 12.8% respondents did not possess information related to this. This is correlated with the new employees in the company. According to Fisher (1995, p.27), the frequency of performance appraisals varies across organizations. While some organizations choose to conduct appraisals on an annual basis, others opt for a biannual or even more frequent schedule.



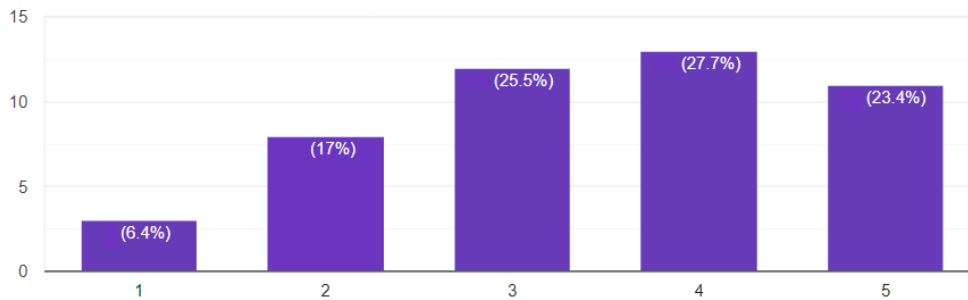
4.4 Do you think it is necessary to do a performance appraisal in your organization?

The necessity of evaluating a performance according to employees' perception is: 80.9% necessary, 9.5% is not necessary and 10% do not know if the latter is necessary or not. Taking into account that most of them value the evaluation process as necessary, we can say that the employees understand the importance of the performance evaluation system.

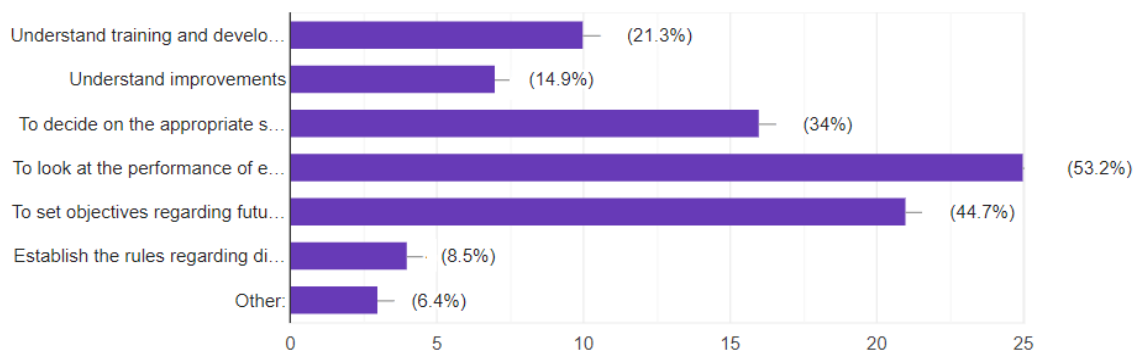


4.5 On a scale of 1 to 5, how would you evaluate the Performance Appraisal Method utilized in your company?

As the results in Figure 5 show, about 51.1% of the respondents give a high rate to the PA in the company, following 25.5% who are more neutral. However 23.4% believed that PA method is not that effective. Carroll and Schneier (1982) conducted research that revealed Performance Appraisal to be the least favored managerial activity among employees.

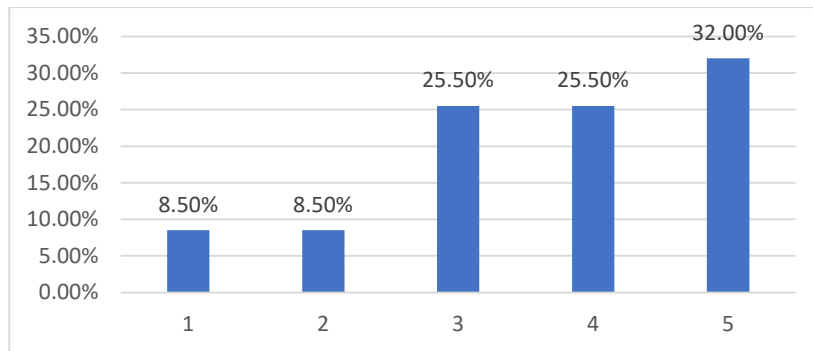


4.6 In your opinion, what does your organization try to achieve through Performance Appraisal?



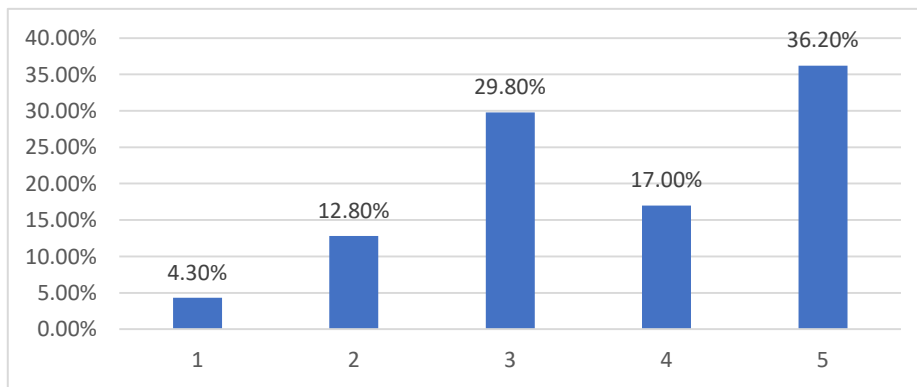
4.7 The performance report gives me the opportunity to set my personal goals

According to Boachie-Mensah & Seidu (2012), when employees perceive the Performance Appraisal scheme as a chance for personal growth, they are more inclined to embrace it and actively participate. Based on the data above, we can say that according to the employees, the performance report does not give 100% the opportunity to set personal goals (only 11%). However, in total we can say that 80% of employees see it (at least sometimes) as a point of reference. In addition to Redman and Wilkinson (2009), critics of performance appraisal acknowledge its potential for developing employee performance. They view performance appraisal as a valuable tool and a means of fostering employee development. The findings indicate that while there is room for improvement, the majority of employees appreciate their involvement in the evaluation process and recognize the system's significance in performance management.



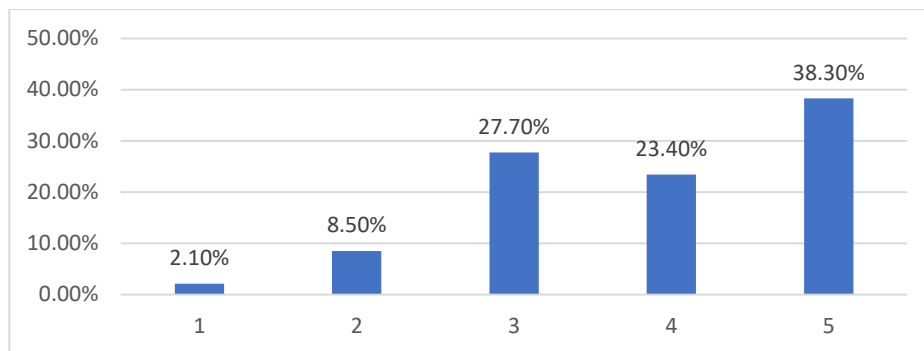
4.8 Performance appraisal in my company is fair.

When analyzing the results of both evaluation justice and motivation statements, it becomes apparent that they exhibit similarities in terms of the percentage of votes received. This observation supports Selvarajan and Cloninger's (2012) hypothesis, which suggests a correlation between employees' perception of fairness and their evaluation. Consequently, it can be inferred that performance appraisal serves as a source of motivation for employees to enhance their performance. Nonetheless, the organization should strive to implement additional measures to ensure that this motivational effect extends to all employees uniformly.

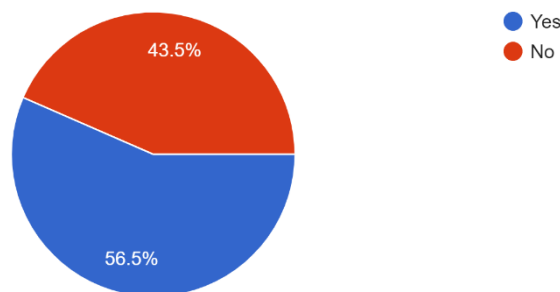


4.9 I understand very clearly the purpose of Performance Appraisal.

The findings indicate that a significant majority of respondents (76%) agreed that they had a clear understanding of the purpose of performance appraisal. This demonstrates the strong emphasis placed on the significance of evaluating employees and suggests that employees themselves have grasped this concept. Previous research on performance appraisal has revealed that the characteristics of the appraisal process can generate positive responses from employees, subsequently motivating them to enhance their performance (DeNisi and Pritchard, 2006).



4.10 Are you involved in the process of setting goals related to future performance?



5. Conclusions

The objective of this study was to assess the effectiveness of performance appraisal from the employees' perspective. To achieve this, a comprehensive review of literature related to performance appraisal and related fields was conducted. Subsequently, a questionnaire was developed and distributed among the employees of the organization to analyse the current appraisal system. The findings revealed that the performance appraisal system in organizations encompasses crucial elements that contribute to its effectiveness.

The analysis of the questionnaire responses indicated that employees perceive the performance evaluation as effective. They consider the system to be a valuable tool that motivates them and enhances their performance. However, there is still room for improvement. Adjustments are necessary to further enhance the system and bring it closer to its optimal state. Nevertheless, the system is progressing in the right direction and has yielded positive outcomes.

Recommendations:

The study has highlighted areas that require improvement in order to establish an effective performance appraisal (PA) system for employees in this company. The findings carry significant managerial implications for training, motivation, and resource allocation to enhance the effectiveness of PA. Based on the analysis, the following recommendations are suggested:

1. Foster greater employee involvement: To fully harness the potential benefits of performance appraisal and ensure its relevance to all parties involved, a higher degree of employee participation should be encouraged. As emphasized by (Kleiner, 1988), it is crucial for managers and employees to collaboratively identify opportunities for performance improvement and create tailored development plans to support goal achievement.

2. Implement continuous employee training: Given the study's unfavourable results regarding the developmental aspects of performance appraisal and how it contributes to employee growth, the organization, particularly managers, should prioritize the use of the system as a means of fostering employee development. This can be achieved through the identification of training needs, provision of relevant training opportunities, and the delivery of constructive feedback. The ultimate aim of performance appraisal should be to facilitate continuous employee improvement (Bacal, 1999).

By implementing these recommendations, the company can enhance the effectiveness of its performance appraisal system, leading to improved employee development, motivation, and overall organizational performance.

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