

Implications of Strategic and Development Purposes on the Effectiveness of Performance Appraisals and Motivation to Improve

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ABSTRACT

This study aims to examine the implications of strategic and development purposes on the effectiveness of performance appraisals and motivation to improve from an academic perspective. The survey was conducted on higher education academics in Indonesia. The hypotheses were tested on a sample of 293 academics using the partial least square. The results showed that the strategic and development purposes positively impacted the performance appraisal system's effectiveness and motivation to improve. The study results provide input to higher education management in developing an effective performance appraisal system.

Keywords: *strategic, development purpose, performance appraisal, motivation to improve*

1. INTRODUCTION

The lecturer is one of the resources that the higher education institutions (HEIs) have, which have an essential role in increasing the quality of alumni or institutions. The increment of the lecturer's performance will positively impact the college alumni's quality. The lecture's quality then impacts profitability and the competitive advantage (Ahmed, Hussain, Ahmed, & Akbar, 2014; Chang & Hahn, 2006; Fakhimi & Raisy, 2013). The HEIs with their skillful and competent human resources will be relatively more successful than those without them.

Improving the lecturer's quality can be done with performance management. One form of performance management is the application of the performance appraisal system. The performance appraisal process is viewed as a crucial part of the strategic management approach and as a tool that connects the institution's competencies, attitudes, and strategic purposes. Performance appraisal also enables the HEIs leaders and lecturers to define, communicate, and review hopes, goals, and processes in achieving institutional goals. The success of the performance appraisal process will improve performance by increasing employee contribution to the institution's target and performance (Kuvaas, 2006).

However, managing the lecturer has its challenges since academics have the freedom to set their priorities and goals according to the criteria set by the academics of the discipline rather than the needs of the place where they work (Decramer, Smolders, Vanderstraeten, Christiaens, & Desmidt, 2012; Harley, Muller-Camen, & Collin, 2004). This condition is intriguing to be studied.

For this reason, this research aims to test the lecturers' perception of performance appraisal purposes and their impact on the performance appraisal system's effectiveness and the lecturer's motivation to increase individual performance.

2. LITERATURE REVIEW

2.1. Goal-Setting Theory

Goal-setting theory is part of the motivation theory proposed by Locke (1968). This theory explains the relationship between the goals that have been set with job performance. The basic concept of this theory is that an institution that understands its goals or targets (what the institution expects) can direct the performance of individuals or organizations according to the goals that have been set (Locke & Latham, 2013). Goals can be viewed as the extent of the performance to be achieved by an organization. If an organization is committed to achieving its goals, it will affect its performance.

Moreover, the performance appraisal is integrated with the performance management system that links with HEI visions, missions, goals, strategies, professional development, and reward system and incentive. The performance appraisal is understood as a human resource performance appraisal by the system. An effective performance appraisal system will affect individual motivation to increase its performance and, in the end, increase institution performance, which is aligned with the goal-setting theory.

2.2. Performance Appraisal Purposes

The objectives of performance appraisal in this study are seen from two dimensions, namely development purposes and strategic objectives. Performance evaluation oriented to developing individual competencies in an institution is the purpose of development-based performance appraisal (Youngcourt, Leiva, & Jones, 2007). The information obtained from the performance appraisal will be used to consider the training that is still needed to develop the competence of university lecturers. Performance appraisal with development purposes can also be used to deal with environmental changes so that universities can achieve the targeted goals.

Meanwhile, the strategic objective of performance appraisal is to align the relationship between the institution's and the individual's objectives (Aguinis, Joo, & Gottfredson, 2011). Performance appraisal will improve lecturers' understanding of the purpose of higher education since lecturers will evaluate the achievements of the goals set (Soltani, 2003; Wiese & Buckley, 1998). Performance appraisal systems for strategic purposes also provide information used in organizational planning that improves organizational effectiveness, productivity, and performance (Iqbal, 2012).

2.3. Performance Appraisal Purposes and the Effectiveness of Performance Appraisal System

Performance appraisal is intended for individual development and institutional strategic purposes. The results of previous research have shown that the purpose of using appraisal performance for development and strategic purposes would be to increase the satisfaction and effectiveness of the performance appraisal system used by institutions (Iqbal, Akbar, Budhwar, & Shah, 2019) (Boswell & Boudreau, 2000). Based on the description, the hypotheses were formulated as follows:

H1: Development purposes positively affect the effectiveness of the performance appraisal system.

H2: Strategic objectives of appraisal performance positively affect the effectiveness of the performance appraisal system.

H3: Development objectives have a positive impact on the strategic objectives of performance appraisal systems.

2.4. Performance Appraisal Purposes, the Effectiveness of Performance Appraisal System, and the Motivation to Improve

The purpose of performance appraisal will positively impact motivation to improve because when individuals know and understand the purpose of the performance appraisal system conducted by the institution, it will motivate them to improve their performance. The prior results also revealed that the effectiveness of a performance appraisal system could improve individual performance. In other words, the effectiveness of performance appraisal positively impacts the motivation of individuals to improve their performance.

Based on the description, the derived hypotheses are as follows:

H4: The development purposes of performance appraisal positively affect motivation to improve.

H5: Strategic objectives of performance appraisal positively affect motivation to improve.

H6: Effectiveness of performance appraisal system positively affects motivation to improve.

The research model can be described in Figure 1.

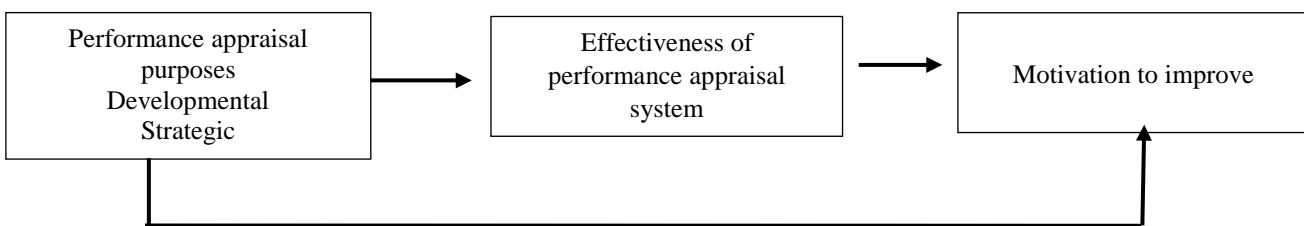


Figure 1. Research Model

3. METHODOLOGY

This research was conducted at HEIs in Indonesia. The sample selection method used purposive sampling, with sample criteria of permanent lecturers in HEIs. Data collection was done by disseminating questionnaires directly or using a google form to expand the reach in data collection. Pilot tests were conducted before questionnaires were distributed. Each variable employed a 5-point Likert scale between 1 (Strongly Disagree) and 5 (Strongly Agree).

Perception of performance appraisal system objectives was measured using two dimensions, namely development purposes and strategic purposes. Indicators were employed to measure, using instruments developed by previous research (Cleveland, J. N., Murphy, K. R., & Williams, 1989; Longenecker & Wilson, 1988; Youngcourt et al., 2007). The indicator used to measure developmental purposes consisted of three-point questions, while strategic purposes were determined using six-question items developed by Kovacs (Kuvaas, 2007).

The effectiveness of the performance appraisal system was measured by seven-point questions developed by Longenecker et al. (1988). This instrument measures lecturers' perceptions of objectivity, openness, participation, and formality. In addition, motivation to improve was calculated utilizing instruments developed by Fedor et al. (1989), with three indicators.

Moreover, this study utilized a partial least square (PLS) analysis tool to test the formulated hypotheses. The use of PLS analysis tools aimed to predict models to develop theory.

4. RESULTS AND DISCUSSION

4.1 RESULTS

The convergent validity test results are seen from the AVE and communality scores, showing a score above 0.5, except for the indicator of the effectiveness of the performance appraisal system of point 5. Therefore, by using the existing criteria, the indicators of each variable met the validity of the convergent. Similarly, the validity of the discriminant fulfilled the required standards of above 0.6. Then, the reliability test results from the composite reliability score and Cronbach alpha for each variable met the required values of above 0.6. Descriptive statistics for each variable are displayed in Table 1. Each variable had a relatively high mean value. Also, the hypothetical test results seen in Table 2 show that all hypotheses were supported.

Table 1. Statistics description

Variables	Development purposes	Actual Range	Actual Mean
Development purposes	3-15	6-15	12.833
Strategic purposes	6-30	12-30	24.836
Effectiveness of performance appraisal	6-30	10-30	22.457
Motivation to improve	3-15	6-15	12.904

Table 2. Hypothesis Test Results

Hypot hesis	Relationship	Direc tion	Coeffi cient	P- Values	Resu lts
H1	Development - > EPA	+	0.144	0.034	Acce pted
H2	Strategic -> EPA	+	0.286	0.000	Acce pted
H3	Development - > Strategic	+	0.672	0.000	Acce pted
H4	Development - > MI	+	0.153	0.021	Acce pted
H5	Strategic -> MI	+	0.156	0.029	Acce pted
H6	EPA -> MI	+	0.327	0.000	Acce pted

4.2. Discussion

Table 2 shows that a performance appraisal system was used as a means for the development of individual competencies. It could increase the acceptance of lecturers when implementing performance appraisal so that the performance appraisal system becomes more effective. Similarly, when the purpose of the performance appraisal system was employed for strategic purposes, it would increase the effectiveness of the implementation of the performance appraisal system due to the alignment of lecturers' with the universities' objectives. In addition, development purposes in performance appraisal systems could also improve strategic objectives.

The results reflect that if the performance appraisal process provides information about the performance position, gives feedback, and identifies the lecturer's weakness, it will positively impact the performance appraisal system. A performance appraisal system helps lecturers understand the universities' expectations of their performance so that there is harmony between the purpose of universities and lecturers, thereby positively impacting the effectiveness of performance appraisal implementation. A performance appraisal system that aims to develop academic competence will also positively impact the understanding of college strategy.

Lecturers, who understand that performance appraisal aims to develop their competencies and align their goals with the universities, will be motivated to improve performance. Accordingly, an effective performance appraisal system will increase the motivation of lecturers to improve their performance. It is in line with the goal-setting theory, which argues that goal alignment between individuals and institutions positively impacts individual motivation.

5. CONCLUSION AND IMPLICATION

This study aims to look at the implications of lecturer acceptance on the objectives of the appraisal system, judging by the dimensions of development and strategy, on the effectiveness of the performance appraisal system and motivation to improve. The results support the hypotheses that the performance appraisal system purpose positively affected the performance appraisal system's effectiveness and positively implied a motivation to improve. Hence, this research can be used as a consideration for college leaders in developing a model of the performance appraisal system.

However, this research was limited to academics, and the next research can expand by using a sample of non-academic staff at the high point. In addition, analysis can also be developed at the individual and institutional levels.

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