

CHAPTER 3

3. RESEARCH FINDINGS

Generally the implementation of the NRS, with the performance appraisal linked to the annual salary increment, is considered to be satisfactory to most of the employees in the public sector. Many do believe that the government and NRS can promote civil servants to be more hardworking and motivated in pursuit of work performance excellence and consequently getting higher salary increments and bonuses.

On the contrary many public sector employees including university employees believe that the NRS also produced a substantial amount of grievances, amongst them employee discrimination, favouritism, demotivation and conflict.

3.1 Problems associated with the NRS

Implementation of the NRS in the University of Malaya has indeed created serious problems since its inception in 1992. These problems arise not only from the lack of knowledge, skills and understanding of the varied implementation processes but also from the complexities

and difference inherent in individual judgment and the many constraints involved under which an evaluation must be carried out.

A major problem to be overcome in achieving effective implementation of the NRS is to get active participation and commitment of senior managers and line managers of the organisation. Lack of consultation and information pertaining to the NRS was evident right from the inception of the system. Different managers practice the NRS differently and this lack of communication between the senior university administrators and line managers gave rise to different standards and modes of operation. Furthermore many line managers were not keen on change and therefore were not fully committed to the cause. Support given was also with much resentment.

Besides the above a major problem that was found in research findings shows that the main problem associated with the NRS in UM is from the aspect of the NRS itself as elaborated below:

3.1.1 The Matrix Salary Schedule / Table

A vital issue that needs to be given serious consideration from the University's top management and the Public Services Agency/Government is the "Performance Appraisal Report" which is linked to the "Annual Salary Movement Increment" for the public sector personnel. This issue is derived from the Government Public Services

Circular No.4/1992 (now revised to Public Services Circular No.7/1996). The concept of a salary matrix table which consists of three levels of salary points; the P1, PII and PIII has disheartened a great number of university personnel as well as government personnel because it is linked to the Annual Performance Appraisal Report and the fixed quota of 2% for the Diagonal Salary Increment, 3% for the Vertical type and 90% for the Horizontal mode of increment.

Before the NRS was implemented the salary for government personnel was a 'one-level salary', applicable for all grades of service. Any movement to a higher salary scale would be on an automatic basis unless the personnel had been taken disciplinary action. The eligibility to cross the probation barrier in a salary scale would be subjected to preconditions set in the scheme of service concerned.

Under the NRS the "Matrix Salary Scale" concept was introduced where the present single salary level is switched to a three-level salary scale. Each salary level is permanent and conditions set for salary movement is based on criteria as stipulated in the Government Circular mentioned above. Salary increments for personnel would be based on his/her performance appraisal and decisions made by the Panel of Salary Movement, a committee set up to become the ultimate authority in matters pertaining to salary movement for each Department/Agency based on the quota allocated for under the NRS.

According to the CUEPACS Report (2001) on the performance of public sector since the inception of the NRS from 1992 to 1995, more than 20% of personnel in government departments perform on an "Excellent" scale and these personnel obtained more than 90% marks thus should be awarded the Diagonal mode of salary increment. More than 50% succeeded to score between 80 to 89.9% marks, therefore qualifying themselves to receive the Vertical form of salary movement. However only 5% of these personnel were actually awarded the Diagonal and Vertical increment whereas the remaining were given the Horizontal mode, which is actually allocated for those who perform with marks between 50-79.9% only.

Consequently this situation became the major cause of dissatisfaction and frustration especially the binding quota of 2% and 3% fixed for the Diagonal and Vertical movement.

The phenomenon of employees not deserving the correct form of salary increment will deter the government's objective to enhance the Quality and Productivity of the government machinery.

The Panel for Salary Increment, as the ultimate authority for salary increment matters should show impartiality when making decisions. They should not be influenced by other elements except achievement and contribution deemed beneficial to the organization from their personnel.

The practice of assessors not informing the personnel being assessed their appraisal is regarded as undemocratic. This is because the Annual Work Target fixed for each employee had been agreed upon by both parties. Therefore when the Annual Work Target of an employee is being assessed and not made known to him/her, this does not reflect a transparent policy as desired pertaining to performance appraisal.

With the Matrix Salary Table system currently in use in government departments, not all personnel who have exhibited an Excellent level work performance will benefit to be awarded the Diagonal or Vertical form of increment. This is due to the fact that only 5% of them will be able to make it every year. To fulfil the fixed quota of 5% in order to reach the second level (PTII) in the salary matrix, all personnel would need to take 20 years ($5\% \times 20 \text{ years} = 100\%$). On the other hand in order for an employee to reach the third level (PT III) one would need a staggering 20 years of service and that totals up to 40 years to qualify the salary points in the third level (PTIII).

As a result of the implementation of the Matrix Salary Table personnel who received the Diagonal/Vertical increment in either the levels of PTI, PTII and PTIII no longer exhibit an excellent work performance after receiving the award. The quality in performance deteriorated mostly because they are complacent with their achievement and that nothing can make their salary be decreased. These personnel will

continuously be performing in a Horizontal increment manner and this can be proven from their performance appraisal records. On the other hand employees who received performance marks between 85-90% but had failed to be awarded the Diagonal/Vertical increment feels demoralized and disillusioned and work only to achieve the Horizontal mode of increment. This situation still exists and will persist as long as the "Salary Matrix" is still being implemented.

For example, the Congress of Union Employees in Public and Civil Services Malaysia (CUEPACS) views the criteria used in the Matrix Salary Table in the NRS as vague and subjective. Personnel in the public sector are unsure as to what is required from them to receive special/excellent rewards for their service. They feel that opportunities for them to be able to receive the Diagonal/Vertical movements are far too limited. (CUEPACS Memorandum to the Govt. of Malaysia, 2001)

Public sector employees do not perceive there exists any correlation between the Matrix Salary Scale/the NRS and cooperation. In their perception helping others (colleagues) will only benefit those they help, who in turn will get a good appraisal report at the end of the year as compared to them. This leads to an unhealthy work competition environment. Therefore the system of "Matrix Salary Scale" has failed to create an environment of "*esprit de corps*" within the organization. This system has only produced self-centred individuals and is this

problem persists the long term objectives of the NRS will not be fully achieved.

From the findings it is obvious that Hypothesis 1, which states that *“Employees’ satisfaction with the NRS is facilitated when the NRS is performance-based and is related to salary increment, promotion and bonus awards”* cannot be supported.

Although Greenberg (1986) supports that employees are motivated to improve their performance when they know the performance appraisal system is performance based and that performance is tied closely to salary increment and promotion, thus from the context of the NRS which implements the Matrix Salary Table and quota fixed for salary increment, the research findings prove that the above hypothesis cannot be fully supported.

3.1.2 Accuracy and fairness of the implementation of NRS

The major factor that determines the success of the implementation of any performance appraisal system in any organisation citing the NRS depends entirely on the capability of the implementer and the appraisers. Since the implementation of the NRS, many employees and union leaders is of the opinion that the vested authorities have failed to exercise their assessment particularly on salary decisions in an efficient, accurate and honest manner.

Various reasons on employee perception that the implementation of NRS in UM is not 100% accurate and fair are as given below :

3.1.2.1 Lack of knowledge and training among assessors

Lack of knowledge and understanding of the overall aim and objectives of the scheme as well as inadequate training and skills to administer the skill is considered to be one of the major factors which contribute to employees' perception that the NRS or PAS in their organisation is unjust and inaccurate.

The assessors and assesses are sometimes dishonest and insincere in their assessment of personnel under their supervision. This misuse of power arises in many departments and faculties according to the Secretary General of the General Staff Union at the University of Malaya. This problem is however unproven because the union is informed mainly through verbal complaints and flying letters. He stressed that this unhappiness among staff still persist despite implementation of regulations in the Government Circular of 1996 which was specifically designed to create a rigid and efficient control on matters pertaining to performance appraisal procedures.

This notion is further supported by a survey conducted by CUEPACS in 2000, stating that 90% of civil servants are not happy with the current NRS scheme and that they want this scheme to be abolished or replaced with another. (Berita Harian, 20.1.2000)

Training the assessors to achieve better results with the appraisal system has received much attention in performance appraisal literature. Many believe that skills and training are basic requirements for assessors to determine success factors for the implementation of PAS's in any organisation. When the assessor conducts a PA and does not possess either skills or training to rate the subordinates' performance, problems are foregone conclusions.

Many of the causes of ineffective appraisal such as the NRS are related to both rating skills and motivation as critical components to achieve effective appraisals scheme. A special level of skill is needed to do this effectively on a formal basis. Assessors must possess specific skills such as performance planning, goal setting, coaching, decision-making, interviewing and conflict resolutions to be effective raters.

At the same time they must have the desire to conduct an effective performance appraisal. This desire goes well beyond the organisational mandate that appraisals are tasks that a manager has to perform.

When a manager or an assessor evaluating a subordinate does not possess ample quantities of both these characteristics, positive rating outcomes will be an aberration. (Longenecker, 1997)

Ongoing rater training, more effective rating instruments and procedures, a more effective top-down approach to rating, the use of self-appraisal and greater human resources management support in improving the process were some of the common suggestions on how to improve and enhance employee perception of the NRS as fair and accurate.

3.1.2.2 Assessor lack of Information on assessee actual performance

For some reasons it is not uncommon to find situations where supervisors having insufficient knowledge of their subordinates. Even though they do not have a direct

working relationship with their subordinates, these assessors still need to assess them because other managers are less suitable to perform this task. Managers in this group are actually pursuing multiple goals, wearing a variety of hats and being asked to do more than is really required of them.

In the area of university administration, Deans and Heads of Departments are academicians in profession and therefore depend on line managers like the Assistant Registrars and Senior Clerks to administer the faculty as well as to evaluate their staff.

In this working environment those who evaluate subordinates sometimes are under pressure to monitor job performance on an ongoing basis in order to be in a position of knowing what their subordinates actually do. Without working knowledge of their subordinates' working behaviour and contribution to the department or organization the appraisal process obviously leads to a breakdown. Subordinates occasionally complain that their superiors have limited knowledge of their actual performance and that they rely heavily on an overall impression of how well they perform. While specific performance variables were often used to evaluate a

subordinate's performance, superiors often lack knowledge of the process, behaviour and circumstances that contribute to or hurt performance in these areas. While subordinates do not want their superior hovering over their every move, they also do not want their supervisors unaware of what they are doing.

Without some degree of awareness and understanding of the specifics of the subordinates' action, the meaningfulness of the appraisal process as a developmental experience suffers. While it is the superior's right to have a bottom-line mentality in rating managerial performance the overall usefulness of the process is called to question when superiors are unaware of the details of the subordinates performance. Consequently this leads to employees' perception of the PAS in their organization as unfair and inaccurate.

3.1.2.3 Unclear performance target criteria

One of the common areas of dissatisfaction that union leaders of the UM receive regarding yearly appraisal process is difficulty in completing the yearly Annual Work Target forms which they claim to be difficult to fill and is filled with ambiguities. This is especially true for the

lower grade staff when there is no thorough explanation from the management on how to fill in the forms correctly. Several feel that the forms are not suited for them. This is so for example the Security Guard who argues that it is difficult to attain a work target if their routine job is to do patrols and maintain security in the university. The management also finds it difficult to design suitable performance criterions for different categories of staff in the annually targeted Annual Work Target form.

Hence it is not surprising that appraising managerial performance is destined to fail without having clearly established performance criterions by which to judge their performance.

If ambiguity surrounds the job description, goals, traits and behaviour that form the basis of the evaluation then the process is doomed to be a failure from the start. Effective two-way communication such as discussion sessions between assessor and assessee is important and must be part of the performance appraisal planning process prior to any evaluation to set the standards by which the subordinates' performance will be judged. Without clear performance criterions it is difficult to achieve an accurate and fair PAS for its employees.

3.1.2.4 Prejudice or Personal Biases

It is inevitable for performance appraisal processes to escape from facing elements like prejudice and bias. Generally performance appraisal suffer from biases; factors that should not influence raters but do or factors that influence ratings in ways about which raters are unaware of (Cook, 1995). It is quite common to find situations whereby assessors who run the task of allowing their personal biases to influence the appraisal process.

The personal biases include, among others, likes or dislikes for someone, race, age, ethnicity, gender, physical appearance, attitude and values, prior expectations and grievance. Such prejudices and biases will definitely interfere with fairness and accuracy of their evaluation.

According to the Secretary General of the General Staff Association of UM this issues is one of the many areas of dissatisfaction that the union receives from staff but is difficult to resolve. This may be due to the fact that they are relatively sensitive matters mainly pertaining to race

relations between the assessors and the assessed. Many employees are of the opinion that those who have close working relationships with their superiors are likely to get higher marks.

For the purpose of this chapter factors mentioned below will be discussed:

(a) Prior expectations

A study conducted by Hogan (1987) takes the approach that many studies on biases in the appraisal of employees tend to assume that raters are faulty but motivationally neutral. She contends that motivational factors, such as prior expectations about a ratee's performance can have a biasing effect on later ratings of that performance. Her study points out four perspectives that affect evaluations. The first is the information-processing perspective which emphasizes that : "Individuals prefer to search for, perceive and recall information that is consistent with their prior expectations rather than information that is inconsistent with those expectations".

The second perspective is the hedonic relevance perspective which believes "Individuals are averse to being

wrong and respond emotionally to the disconfirmation by punishing its source, whether the surprise is pleasant or unpleasant”.

A third perspective is the attribution perspective which states that attribution acts as a mediating mechanism between expectations, observations and subsequent evaluations.

The final perspective was the avoidance of negative feedback perspective, which posits that the worse the performance rating the more supervisors attribute causality to factors external to subordinates. This is done so that the subordinates can maintain their self-images and supervisors can minimize interpersonal conflict.

Hogan, quoted by Gibbons and Kleiner (1994) states that expectations, particularly their disconfirmation, appear to be important in explaining performance ratings. So when a subordinate's actual performance disappoints a rater's expectations about that performance, subsequent ratings will be lower than actual performance warrants; when actual performance exceeds a rater's expectations, subsequent ratings will again be lower than warranted. Note that one might expect that, when the performance is better than the rater expected the ratings would show an upward bias, but

this is not the case. Instead, results of this study show a downward bias with both positive and negative surprises, that is, raters do not like surprises and punish the source of their disconfirmation.

Hogan also notes that her findings establish a connection between ratings and attributions to internal causes. Her findings, which support the hedonic relevance theory, suggest that evaluators perceive their worlds accurately but bias ratings because they wish to avoid unpleasantness.

The ramifications of her findings are very important. Hogan says that :

"Bias in evaluations due to disconfirmation and avoidance is likely to be harmful to the future results raters seek to obtain. First, supervisors are punishing employees who represent good surprises by rating them more negatively than their actual performance warrants. This could lead to dissatisfaction and turnover as well as declines in performance. Second, by avoiding warranted attributions of poor performance to internal causes, supervisors fail to communicate to employees the need to control their own actions and hence impede their ability to correct flaws."

(b)Grievance activity

One last study to be considered deals with the impact of the filling of grievances, both against supervisors and organizational policy, will have on the subsequent performance rating of an employee. While the manager's reaction to grievance activity may influence a variety of personnel decisions, a really important consideration as to the effectiveness of the grievance system is how the filling and the processing of grievances affects the employee performance evaluations.

Previous research has shown that the categorization process is very important in the performance appraisal process. It is possible then that grievance activity may cause the employee to be labelled as a troublemaker, thus placing him or her in a category that will then be used as a framework for interpreting all of his or her behaviour. Additionally, research has suggested that a supervisor's affect (feelings) towards a ratee will have an effect on the processing of information about the ratee at the precognition stage. Thus grievance activity on the part of an employee might influence a rater's attitude or affect towards the employee, thereby resulting in an unconscious bias and lower ratings. Of course it is also that managers may

intentionally distort the ratings they assign to a grievant. One recent study found that if a manager sees an employee's behaviour as personally threatening or offensive, that manager might attempt to modify the behaviour by intentionally deflating the employee's ratings, that is, the manager could use the appraisal as a form of control. (DeNisi & Klaas, 1989)

The results of DeNisi and Klaas's study also show that supervisors react negatively to employee who file grievances when these grievances are filed against the supervisor; and they do so especially when those grievances are decide in favour of the employee. On the other hand, filing grievances concerning organisational policies, regardless of the outcome, appears to have little impact on employee's evaluations. This certainly calls into question the value of a grievance system, given the cost imposed on an employee who files against his or her supervisor, especially if he or she wins. In turn the reluctance of an employee to file a grievance may lead him or her to turn to other channels to express discontent, which can be extremely costly to an organization. (Gibbons and Kleiner, 1994)

3.1.2.5 The “Halo Effect”

This occasionally happens subconsciously when the appraiser gives the same ratings for each criteria being evaluated. An appraiser for instance when rated an above average for quality of performance may also be similarly given above average for quantity of performance, job knowledge, dependability, customer service and communication skills. Due to this tendency for 'halo effect', appraisers sometimes cannot effectively distinguish between discrete categories and therefore gives a general or global rating.

3.1.2.6 Recency Error

Recency error occurs when the appraiser fails to observe past performance and behaviour begin to focus on the most recent behaviour in the evaluation process. Most supervisors will not be able to remember the past years' performance and will therefore rely on the performance during recent months and ignore past performance. In cases where the supervisor does not often interact with the appraisee, they begin observation of their subordinate's performance in the last weeks prior to appraisal taking place. Some appraisers only begin to

take notice of the appraisee's performance when they have been reminded that they require to appraise their staff. If this takes place then the appraisee will have lots to lose when they have performed well in the past, but due to unforeseen circumstances their performance level drops in weeks.

3.1.2.7 Central Tendency Error

This commonly occurs when the appraiser fails to recognize and distinguish between the excellent and poor performers and therefore choose the easy way out by lumping everyone within a narrow range of 'average category'. (Dessler, 1997) Regardless of performance, the appraiser feels safer by rating everyone average resulting in the central tendency error. This will ultimately result in employees especially the high achievers becoming dissatisfied and demotivated. The appraisal scheme will not be taken very the next time around it will be perceived as a futile exercise.

3.1.2.8 Strictness or Leniency Error

Similar to the central tendency effect some appraisers are overly strict when it comes to rating while others may be

overly lenient. Some supervisors perceive their subordinates as not measuring up to their standards and ranks everybody as low performers while other supervisor feels everyone deserves better and therefore gives them high ratings. This phenomenon of strictness or leniency as with the central tendency error fails to distinguish between high and low performers and relegates everyone in the high or low categories.

3.1.2.9 Appointment of substitute appraisers

Appointment of substitute appraisers is exercised in the University of Malaya when the supervisor is not available due to study or sabbatical leave, conferences, fieldwork or other related matters and will not be available for the duration of the appraisal. Substitute appraisers may not be competent for the job since they do not supervise the appraisee.

From the findings discussed above it clearly shows that not many employees perceive that the NRS in the university as fair and accurate. Therefore Hypothesis Number Two which stipulated that 'Employees perceive that the NRS in UM is fair and accurate' is not fully supported.

3.1.3 Manipulation of the System

As discussed earlier one of the common grievances pertaining the NRS from the employees and their representatives is the concept in the NRS that limits the number of people receiving any particular type of increment. This not only discouraged the employee in working harder to gain a higher salary increment but worst of all is the system's inability of rewarding high performers because of the rigid quota system to be followed.

Since only a limited percentage of employees (5%) can enjoy a Vertical or Horizontal increment (the highest increment), some assessors resort in manipulating the system by using the rotation method. This is done when employees within the unit ultimately being awarded the two types of higher increments after some period of time planned.

Although it is not necessarily based on merit, it does however provide some attraction for their employees whereby they anticipate that some day they will eventually be getting the desired increase. Some employees perceive this method indirectly promotes the spirit of teamwork or "*esprit de corps*" within the organisation and a source of motivation for them.

On humanitarian grounds many assessors reward the senior members of the department who are due to retire (at the age of 56) or those almost at the end of any particular level of salary. This practice, somehow only benefits the senior personnel at the expense of the younger staff and high achievers.

Hence Hypothesis Number Three which states that "*Employees perceive factors such as gender, race, age, religion or national origin might influence performance rating*" can be supported conditionally. Based on interviews from union leaders and feedback from questionnaire forms, although many believe that factors such as gender, sex and religion may influence performance rating, however there appears to be no concrete evidence supporting this as there are no official complaints made to the university 's top management or union leaders.

The age factor as discussed above, may play a vital role in influencing performance rating. The research findings seem to show that to some extent, amongst other variables, age factor plays an important role in determining performance rating in NRS.

3.1.4 Issue of transparency and openness

One of the good intentions by the Government when introducing the NRS is to instil the concept of transparency and openness in

performance appraisal system in the public service. The method recommended to achieve this is in conducting performance appraisal interviews.

During the first three years of implementation of the NRS complaints received from personnel assessed were that they receive too little feedback regarding their performance rating. The management had failed to inform them their performance rating and these personnel were only informed of their salary status after a decision has been made.

This situation occurs mainly because performance appraisal interviews were not carried out at the University of Malaya. Many reasons are attributable to this scenario and it is mainly due to attitude problems of the assessors. Most employees dislike the interview method for fear of criticism, uncertainty and evade handling questions for fear that their salaries, promotion and destinies with the organisation hinges upon the outcome of these interviews.

Employees may also view interviews as justification for decisions that were already made concerning salaries, promotions and job tenures. Poorly conducted performance appraisals may do more harm than good.

Most assessors dislike performance appraisal interviews also because they find that informing their employees the negative aspects of their performance would be difficult for them to accept , awkward and unpleasant. On the contrary praise can breed complacency and hence lower the level of performance. For these reasons they prefer not to release any positive, reinforcing information to employees.

Another reason for the discontent of the performance appraisal interview is the scheduled time for the implementation of appraisal interview. These fixed schedules cause appraisals to be regarded as just a job to be completed or red tape to comply with instead of as a helpful exchange between managers and employees. (Spinks et al.,1999)

From the experience as administrator of the University of Malaya this situation has currently being improved for the last 3 years. Many faculties and departments within the university implemented the method annually and regarded as an important element of the NRS.

This has proven that a high percentage of the employees of UM prefer to have their performance ratings made known and that this ensures transparency in the system. This open approach to performance appraisal encourages them to work harder and more importantly it helps to improve the transparency of the rewards system.

On an overall view this suggests that most employees' perception that the NRS is a system lacking in accuracy and unjust can be improved and offset with proper implementation, particularly if the management informs them of their performance rating. Hence Hypothesis Number Four and Five is supported.

3.2 Other Common Problems Related to Performance Appraisal System like the NRS

3.2.1 A Focus on the Past

Most performance appraisal systems are based upon an assessment of the past. Whilst it is much easier to assess the past than the future, viewing the performance appraisal as maintenance system does little to realize the future performance improvement. A consideration of future potential, opportunities and development needs is an essential planning aid for both organizations and individuals in the context of rapid change and the need for a high degree of flexibility. Future performance improvement needs organizational investment in development for this, together with succession planning, is often very poorly managed if at all.

3.2.2 Performance Appraisal and uses of Quantifiable Measures

Rating scales and quantifiable measures do not always reflect the true value of an employee. Depending on the role, non-quantifiable behaviours (such as motivation, ability to learn, quality work) should also represent important factors within the performance appraisal process. Once list of quantifiable factors becomes established, employees will often modify their behaviour (without being told) to maximize their performance in those areas.

3.2.3 Traits are Inputs to Work, Not Outputs

Traits describe a person's characteristics and approaches to work. They represent what somebody puts into the job. They do not necessarily predict or reflect the outcome or results of a person's work.

The problem is similar to the difference between effort and achievement. Organisations that put a premium effort in the performance appraisal may not necessarily yield high performance in improvement. Those that put all performance appraisal emphasis on results may appear to be insensitive towards employees' personal contributions. But where

performance appraisal systems value achievement, the degree of change, and self-determination, then the consequential developmental cultural will produce high value results for both the individual and the organisation.