

THE INFLUENCE OF PERFORMANCE APPRAISAL SYSTEM TOWARDS JOB SATISFACTION, MOTIVATION, AS WELL AS EMPLOYEE PERFORMANCE

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Abstract: *The purpose of this study is to analyze and provide a proof of the influence that the performance appraisal system has over both job satisfaction and job motivation along with its implications on the performance of employees. The research type is explanatory research. The research population is all employees of PT Pupuk Kaltim. The sample size of this research is 140 employees. The sampling technique is ladder population in proportion to the amount of population in every stratum. The data is analyzed by implementing the approach of Smart Partial Least Square (SmartPLS). The research result indicates that performance appraisal system of employee has an effect on job satisfaction. Performance appraisal system of employee has an effect on job motivation. Performance appraisal system of employee does not have an effect on employee performance. Job satisfaction has an effect on job motivation of employee. Job satisfaction does not have an effect on employee performance. Motivation has an effect on employee performance. Performance appraisal system of employee has a greater influence towards employee performance. Performance appraisal system of employee that is applied by PT Pupuk Kaltim can significantly alter the job climate within the company.*

Keywords: *Performance Appraisal System, Job Satisfaction, Job Motivation, Employee Performance*

1. Introduction

This paper is intended to evaluate the implementation of performance management system at PT Pupuk Kaltim Bontang. The purpose of this evaluation is to discover the influence of performance assessment system on employee satisfaction and employee motivation as well as its implications towards employee performance.

Performance Management System implemented in PKT is part of the implementation of Competency-Based Human Resource Management System (CBHRM). Performance management system implemented in PKT consists of two elements of employee assessment, namely: the competency assessment element and the employee performance assessment element. Both elements of this assessment are assessed once a year. The competency assessment element is built with a 360-degree assessment system. As for the performance assessment element, it is built using the Format Key Performance Indicator (KPI) Individual which is cascaded from corporate KPIs.

2. Literature Review

2.1. Employee Performance

Mathis and Jackson (2006) express that performance is basically what is done or not by the employee. The elements of employee performance as usual cover the quality of result, accuracy of time, attendance, and cooperate ability. Levinson in Marwansyah (2010) describes performance as someone merit in doing his responsibility/ job. Performance reflects how well employee fulfills the conditions of work.

Gibson (2000) writes that there are three factors that have effects to performance, those are (1) Individual factor: ability, skill, family background, job experience, social level and demography; (2) Psychological factor: perception, role, attitude, personality, motivation, and job satisfaction; (3) Organizational factor: organization chart, work design, leadership, rewards system.

Vroom (1964) shows that performance is the level of how far the success of someone in finishing his work, usually called as “level of performance”. Someone who has high level of performance is called as productive person or high performance person. On the contrary, someone who cannot reach standard is called as unproductive person or low performance person.

Gomes (2003) tells that there are some indicators that become measurement in the performance appraisal of employee performance, those are quantity of work, quality of work, job knowledge, creativeness, cooperation, dependability, initiative, and personal qualities.

2.2. Job Satisfaction

Luthans (2006) says “job satisfaction is a pleasurable or positive emotional state resulting from the appraisal of one’s job or job experience” Furthermore, Luthans (2006) explains that the factors that influence job satisfaction are the work itself, salary, opportunity of promotion, observation, team work, and friends.

According to Robbins and Timothy (2008), there are five factors that compel a person to become satisfied with his or her job. These factors are mentally challenging work, equitable rewards, supportive working conditions, supportive colleagues, and personality-job fit.

Mathis and Jackson (2006) write “job satisfaction is a positive emotional state resulting from one’s job experience”. The dimension of job satisfaction is comprised of the work itself, salary, confession, supervision, good cooperation with friends, and also opportunity to expand.

2.3. Job Motivation

Luthans (2006) defines motivation as a process started by physiological deficiencies that control behavior for the purpose or incentive. Robbins and Timothy (2008) tells that motivation is a process that determines intensity, direction, and individual assiduity in their effort to achieve the organizational target.

2.4. Performance Appraisal System

The following are some definitions regarding performance appraisal:

- 1) Sikula (1981): Appraisal is the process of estimating or judging the value, excellence, qualities or status of some object, person, or thing.
- 2) Sikula (1981): Employee appraisal is the systematic evaluation of a worker’s job performance and potential for development.
- 3) Yoder (1980): Personnel appraisals refer to the formal procedures used in working

organizations to evaluate the personalities and contributions and potentials of group members.

- 4) Appraisal job merit is a systematic appraisal to employee by its superior or some other experts that understand the execution of work done by the employee or position (Tiffin, 1947).
- 5) The appraisal of performance is resulted from employees merit reached according to their duty at specified period (Bernadin and Russell, 1993).

One of the leading performance appraisal methods is 360 degrees appraisal. According to the research of Duggill, it originated from the United States armed forces in about 1970.

According to Robbins and Timothy (2008), the 360-degree appraisal is an appraisal device that seeks performance feedback from such sources as oneself, superiors, peers, team members, customers, and suppliers.

2.5. Research Hypothesis

- 1) Performance appraisal system of employee has an effect on employee job satisfaction.
- 2) Performance appraisal system of employee has an effect on employee job motivation.
- 3) Performance appraisal system of employee has an effect on employee performance.
- 4) Job satisfaction has an effect on employee job motivation.
- 5) Job satisfaction has an effect on employee performance
- 6) Job motivation has an effect on employee performance.

3. Method Of Research

This type of research is explanatory research. The research population is all employees of PT Pupuk Kaltim, with the sample size of 140 employees. The sampling technique is proportional ladder population to the amount of population in every stratum.

The determinations of the exogenous and endogenous variables in this research are as follows.

- 1) Performance appraisal system (X_1)
The performance appraisal system of employee is used to measure attainment of employee competence and employee performance. In this research, performance appraisal system is adopted from the theory of Robbins and Timothy (2008) that is divided in two as follows:
 - a. Performance appraisal of employee using 360 degrees appraisal system.
 - b. Performance appraisal of Key Performance Indicator (Individual KPI)
- 2) Job satisfaction (Y_1)
Job satisfaction is measured based on the theory of Luthans (2006) that uses four indicators as follows:
 - a. Job satisfaction based on the job itself.
 - b. Job satisfaction based on job observation.
 - c. Job satisfaction based on friends.
 - d. Job satisfaction based on work/ job condition.
- 3) Job motivation (Y_2)
Job motivation in this research is measured based on the theory of Herzberg (1964) related with motivation factors. The variable of job motivation is measured by using five indicators as follows:

- a. Merit
 - b. Recognition
 - c. The work itself
 - d. Responsibility
 - e. Advancement
- 4) Employee performance (Y_3)
- Performance in this research is measured based on the theory of Gomes (2003), that is poured into eight indicators as follows:
- a. Quantity of work.
 - b. Quality of work.
 - c. Job knowledge.
 - d. Creativeness.
 - e. Cooperation.
 - f. Dependability.
 - g. Initiative.
 - h. Personnel qualities.

In this research, the data is analyzed by using Partial Least Square (PLS) approach. PLS is a type of Structural Equation Modeling (SEM) based on component or variant.

4. Result Of Research And Discussion

4.1. Goodness of Fit Model

Predictive relevance (Q^2) goodness of fits of the model in PLS analysis, is measured based on the coefficient value of determination (R^2).

Table 1. Coefficient value of determination (R^2)

No	Variable	R^2
1	Job satisfaction	0,419
2	Job motivation	0,137
3	Employees' performance	0,615

From Table 1, we determine the level of predictive relevance (Q^2) as follows :

$$Q^2 = 1 - (1 - 0,419)(1 - 0,137)(1 - 0,615) = 0,8070$$

The result of the predictive relevance indicates that the model is satisfactory, that is having the ability of prediction equal to 80,70 %. It can be said that the model can be accepted, meaning there is accordance between the model and the data.

4.2. Examination of Hypothesis

Resampling bootstrap method is used in examining PLS analysis. The test statistic uses critical ratio.

Table 2. Result of Examination of Hypothesis

Relation among variables		Coefficient	p-value	Note
Performance appraisal system	Job satisfaction	0,330	0,001	Significant
Performance appraisal system	Job motivation	0,206	0,023	Significant
Performance appraisal system	Employee performance	0,088	0,168	Insignificant
Job satisfaction	Job motivation	0,259	0,010	Significant
Job satisfaction	Employee performance	0,042	0,623	Insignificant
Job motivation	Employee performance	0,728	0,000	Significant

The result of the examination is also presented in the form of graph in Figure 1.

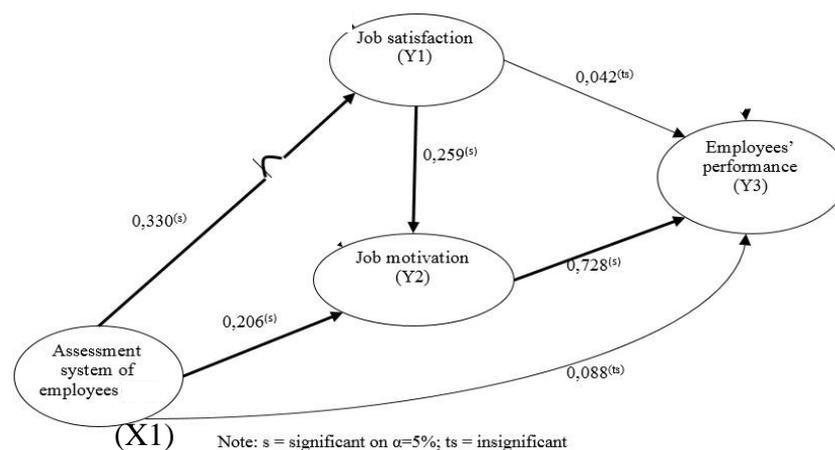


Figure 1. Diagram of Hypothesis Examination Result

Based on Table 2 and Figure 1, the results of the hypothesis examination are as follows.

- 1) Performance appraisal system of employee has an effect on employee job satisfaction of PT Pupuk Kaltim. PLS analysis coefficient equals to 0,330 and $p = 0,001$ (significant). Thereby, the hypothesis is accepted. Path coefficient with positive sign indicates that better employee performance appraisal system of PT Pupuk Kaltim will result in better job satisfaction.
- 2) Performance appraisal system of employee has an effect on employee job motivation of PT Pupuk Kaltim. PLS analysis coefficient equals to 0,206 and $p = 0,023$ (significant). Thereby, the hypothesis is accepted. Path coefficient with positive sign indicates that better employee performance appraisal system of PT Pupuk Kaltim will result in better job motivation.
- 3) Performance appraisal system of employee does not affect employee performance of PT Pupuk Kaltim. PLS analysis coefficient equals to 0,088 and $p = 0,168$ (insignificant). Thereby, the hypothesis is rejected. This matter indicates that employee performance of PT Pupuk Kaltim is not affected directly by high or low of performance appraisal system they accept.

- 4) Job satisfaction has an effect on employees job motivation of PT Pupuk Kaltim. PLS analysis coefficient equals to 0,259 and $p = 0,010$ (significant). Thereby, the hypothesis is accepted. Path coefficient with positive sign indicates that the more satisfied the employee of PT Pupuk Kaltim, the better the job motivation.
- 5) Job satisfaction does not have an effect on employee performance of PT Pupuk Kaltim. PLS analysis coefficient equals to 0,042 and $p = 0,623$ (insignificant). Thereby, the hypothesis is rejected. This matter indicates that employee performance of PT Pupuk Kaltim is not affected directly by the satisfaction in working.
- 6) Job motivation has an effect on employee performance of PT Pupuk Kaltim. PLS analysis coefficient equals to 0,728 and $p = 0,000$ (significant). Thereby, the hypothesis is accepted. Path coefficient with positive sign indicates that the higher the employee job motivation of PT Pupuk Kaltim, the better the the employee performance.

5. Discussion

5.1. The Influence of Performance Appraisal System on Job Satisfaction

The research result indicates that the performance appraisal system of employee has an effect on employee job satisfaction of PT Pupuk Kaltim. It means that better employee performance appraisal system of PT Pupuk Kaltim will increase the job satisfaction. On the contrary, worse employee performance appraisal system will decrease the job satisfaction.

Result of this research supports the theory of Benardin and Russel in Gomes (2003) that performance appraisal is a method of measuring individual contribution for organization.

The result also supports the research of Sancoko (2013), where employee job motivation is influenced by quality, quantity, timeliness, cost effectiveness, need for supervision, and interpersonal relation.

The similarity between this research result with theory and former research indicates that performance appraisal system has influence and impact on job satisfaction of employee. Good performance appraisal system will generate job satisfaction of employee, because the performance appraisal system will become reference for promotion and also recognition to the employee. Employee satisfaction on performance appraisal system applied by the company allows employees to work pleurably.

Performance appraisal system applied by the company has brought change in the working climate of PT Pupuk Kaltim. The Existence of appraisal with system of soft competence allows employees to acknowledge more of their strengths and weaknesses. Employees who recognizes their weaknesses will immediately improve for the goodness of their own and the company's sake. The implementation of the performance assessment based on the soft competence makes employees satisfied with their work, because it makes decisions regarding promotions to be transparent.

5.2. The Influence of Employee Performance Appraisal System on Job Motivation

The research result indicates that performance appraisal system of employee has an effect on employee job motivation of PT Pupuk Kaltim. It means that better employee performance appraisal system of PT Pupuk Kaltim will correlate in better job motivation. On the contrary, an inferior employee performance appraisal system of will result in the decrement of job motivation. The result of this research supports the research of Najafi et al., (2010) and Khan (2013), where in many organizations, the decision of reward indicates that managers tend to give positive appraisal.

Performance appraisal system which is applied by PT Pupuk Kaltim has an impact to employee job satisfaction and job motivation. Performance appraisal system is a set of instruments used by PT Pupuk Kaltim to measure attainment of employee performance and employee competence. Employee performance appraisal system of PT Pupuk Kaltim is measured using 360 degrees performance appraisal system and appraisal of individual Key Performance Indicator (KPI).

The two performance appraisal systems of employee are applied by PT Pupuk Kaltim. Although there are constraints, the system has the ability to generate job satisfaction and job motivation to the employee. This condition requires the utmost attention, so that in the future, the performance appraisal systems can continue to be developed in order to increase job motivation and job satisfaction of employees in PT Pupuk Kaltim. All kinds of inputs that are given to the employee regarding the performance appraisal system has to be observed and followed up for the improvement of performance appraisal system based on soft competence.

5.3. The Influence of Employee Performance Appraisal System on Employee Performance

The research result indicates that performance appraisal system of employee does not have an effect on employee performance of PT Pupuk Kaltim. This matter indicates that the badness or the goodness of performance appraisal system to employee does not influence performance of all employees of PT Pupuk Kaltim directly. The result of this research is in contradiction with the theory proposed by Bernardin and Russel (1993), that appraisal of performance basically represent a key factor in developing an organization effectively and efficiently. It results in better programs or policies with regards to human resource in organization. Performance appraisal of individual performance is very beneficial for the growth of the organization as a whole. By using the assessment, we are able to distinguish the real condition about the employee performance. Assessment of performance is the method of measuring individual contribution (employee) to organization where he/ she works. The result of this research is also in contrary to the research conducted by Fakharyan et al., (2012). They show that there exists a positive relation between satisfaction of performance assessment and employee performance. The influence of performance assessment system to employee performance is caused more by some employees still finding difficulty in writing down the employee job description into the format of individual KPI. It affects the interpretation of the assessment result of individual KPI. Many forms that were filled inadequately create complications within some of the performance assessments, which in turn causes assessors to struggle in describing each employee. A common occurrence is assessment of performance giving the same result between multiple employees which causes diffraction in the assessment.

Existence of diffraction in the assessment of performance leads some employees to assume that assessment of performance based on soft competence is less suitable with the facts in the field. The unsatisfied employee has a tendency to work unfavorably and with less motivation.

5.4. The Influence of Job Satisfaction on Job Motivation

The result of research shows that job satisfaction has an influence on employee job motivation of PT Pupuk Kaltim. It means that if the employees are satisfied, the job motivation will increase. This result supports the findings of Davis and Newstrom (1998), who express that job satisfaction shows suitability between someone's expectation and reward of work, so job satisfaction also has close relations with justice theory, psychological agreement, and motivation. This research also supports the research of Shah et al, (2012),

Umar (2011), who show that job satisfaction has positive influence on job motivation.

Job satisfaction has an effect on job motivation. It is caused by the satisfaction associated with the promotion system or employee career. Career system and promotion that are applied by PT Pupuk Kaltim are based on competence system of employee. The placement of a given position in PT Pupuk Kaltim is always done based on a competence test, so that every employee with competence has a greater opportunity to occupy said position. This policy makes employees be satisfied in their work and motivates them to work better. Job motivation is influenced by the policy of position promotion system based on employee competence which gives a positive impact to the development of an employee's potential.

5.5. The Influence of Job Satisfaction on Employee Performance

The research result indicates that job satisfaction does not have an effect on employee performance of PT Pupuk Kaltim. This matter indicates that not all employee performance of PT Pupuk Kaltim is affected directly by satisfaction in working.

The biggest controversy in the research concerns the relationship between performance and satisfaction. There is an expression that satisfaction influences performance, while others have an opinion that performance influences satisfaction. Various researches end the controversy by indicating that there is positive relation between performance and satisfaction. This research result corresponds to the model of Lawler and Porter (1979) in Umar (2011). Satisfaction represents a variable that is resulted according to reward that they accept.

Research of Gohari et al., (2013), Muslih (2012), Funmilola (2013) and Umar (2011) aims to study the relation between job satisfaction and employee performance. Empirical findings indicate that satisfaction of job has an effect on employee performance.

Influence of job satisfaction on employee performance is caused more by lack of superior support towards the subordinate. Some superiors are less concerned with the duty of coaching and counseling the subordinate. Coaching and counseling that is done seriously will be able to improve subordinate performance. Whereas Less coaching and counseling from the superior will affect the ability of the subordinate in accomplishing their work.

5.6. The Influence of Job Motivation on Employee Performance

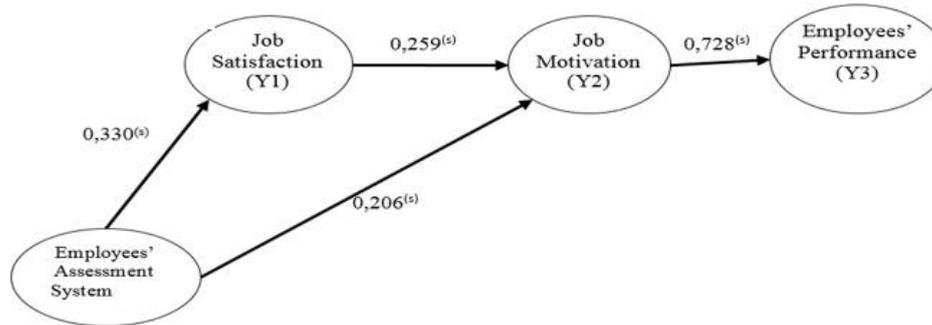
The result of research indicates that job motivation had an effect on employee performance of PT Pupuk Kaltim. It means that the higher the employee's job motivation of PT Pupuk Kaltim is, the higher their performance as well.

According to the Goal Theory told by Suprihanto (1987), someone merit or performance depends on the person's motivation in doing the job. The higher someone's motivation to do the job, the higher the level of performance. Conversely, the lower someone's motivation in doing a job, the lower the level of performance. This result is also in line with the opinion of Robbins (2003) and Mitcheel (1998). Robbins (2003) explains that employee performance represents function of interaction between motivation and ability. Furthermore, Mitcheel (1998) developed a concept model explaining that motivation influences behavior and job merit.

Research of Deikme (2013), Muslih (2012), Tjahjono and Gunarsih (2008), and Umar (2011), express that job motivation is the condition that has an effect on awakening, instructing, and behavior related to job environment. Employee performance represents the result to which the quality and the quantity reached by an employee is based on responsibility given to him. Empirical findings indicate that job motivation variable has an effect on employee performance.

5.7. Simulation of Influence: Result of Research Model

The research result in Figure 1 is modified by omitting the insignificant relation. The result is presented in Figure 2. It explains how to improve employee performance in an easier way to be understood.



(X1)

Figure 2. Model of Research Result

Table 3 indicates that it can be extrapolated that employee appraisal system that is applied by PT Pupuk Kaltim can influence the job climate in the company. The application of the appraisal system of performance that measures the attainment of employee soft competence and performance by using 360 degrees appraisal system and individual Key Performance Indicator brings with it a substantial change for the job environment of PT Pupuk Kaltim.

Tabel 3. Total Influence of Exogenous Variables on Employee Performance

Exogenous variable	Coefficient	p-value	Note
Performance Appraisal System	0,302	0,0001	Significant

6. CONCLUSION

- 1) In general, this research supports some of performance management theory in integrated human resource system by Schuler, et al. (2011) and performance theory by Gibson (2000). It is stated that performance is influenced by psychological factor in the form of job motivation, and performance is not influenced by organizational factor, that is performance appraisal system.
- 2) Performance appraisal system has positive effect on employee job satisfaction
- 3) Performance Performance appraisal system has positive effect on employee job motivation
- 4) Performance Performance appraisal system has no effect on employee performance
- 5) Job satisfaction has positive effect on employee job motivation

- 6) Job satisfaction has no effect on employee performance
- 7) Job motivation has positive effect on employee performance

Suggestion

- 1) The incremental increase of employee job motivation in PT Pupuk Kaltim can be done by improving job satisfaction and performance appraisal system in PT Pupuk Kaltim. The increasing of job motivation is done by paying attention to employee job satisfaction. At present, there is a tendency from some employees to feel unsatisfied with support of the current boss.
- 2) The increase of job motivation by improving performance appraisal system can be done by doing publication transparently related to the appraisal of employee performance.
- 3) Performance appraisal system that is done precisely and accurately will help employees to identify their strengths and weaknesses.
- 4) Employee performance in PT Pupuk Kaltim can be improved directly by the variable of job motivation. At present, employee job motivation in PT Pupuk Kaltim is high. On the other hand, there is a negative effect from employee job motivation, one of them is the employee individualism.
- 5) The changing of employee performance appraisal system has an impact to the high job motivation that is shown by individual characteristics in working. This condition of course will cause unpleasant working climate in PT Pupuk Kaltim. Hence, the existence of evaluation to the attitude and behavior of employees is needed.
- 6) The increment of employee performance can be done indirectly by employee performance appraisal system. Performance appraisal system is based on soft competence that is better assessed and brings change in the job result within PT Pupuk Kaltim.
- 7) For the next researcher who searches problems related to employee performance, the suggestion is to focus on certain job units in PT Pupuk Kaltim. The next researcher is also advised to add some other variables that may influence the employee performance.

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