

INCREASING HR PRODUCTIVITY THROUGH PERFORMANCE APPRAISAL SYSTEM BASED ON KEY PERFORMANCE INDICATORS ON WOMEN COOPERATIVE “SBW” SURABAYA

Abstract

By

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Many companies have implemented tools for measuring their performance in order to strengthen their firm's sustainability in business and have significant capability power to running firm tough competition. Organizations must face not only to more demanding conditions but in the current period to the world unpredictable environment as well. Due to these reasons, the organizations are forced to measure performance of HRs, units, and the organization itself and it's contribute capability to the stability of the organization in today's competitive environment. Performance appraisal based on KPI (Key Performance Indicators) is designed to increase objectivity of performance appraisal and to maximizing the purpose of Performance Appraisal itself. Performance Appraisal based on KPI is simulated to Head of Unit level at Women Cooperative “SETIA BHAKTI WANITA”, Surabaya, Indonesia. This research is qualitative research by objective interview and focus group discussion especially on the KPI System implementation period. This period is 6 months after KPI System is declared. The result is shows that performance appraisal based on KPI is better in increasing HR productivity than performance appraisal that already uses in this organization.

Keywords: HR Productivity, Assesment, Performance Appraisal and Key Performance Indicator (KPI)

1. INTRODUCTION AND LITERATURE REVIEW

Performance appraisal is the strength of performance management which in turn affects the organizations performance. It helps to identify and overcome the problems faced by the employees on his/her work (Mackey, 2000). According to Nurse 2005, performance appraisals have the equal probability of having a bad impact on the organization as well as on employee performance. Performance appraisal provides a periodic review and evaluation of an individual's job performance. Performance appraisal is a vital tool to measure the frameworks set by any organization to its employees. It is utilized to track individual contribution and performance against organizational goals and to identify individual strengths and opportunities for future improvements and assessed whether organizational goals are achieved or serves as basis for the company's future planning and development. Performance appraisal is a process by which the organization evaluates or assesses employee performance. There are five important elements in performance appraisal, namely assessment objectives, appraisers, assessed employees' roles, measurement and timing of assessments (Cumming and Worley, 2005: 54). Werther and Davis (1996: 342) stated that performance appraisals aimed at and benefited the assessed organization and employees, namely performance improvement, Compensation adjustment, placement decision, training and development needs, career planning and development, staffing process deficiencies, informational inaccuracies and job design errors, equal employment opportunity, external challenge and feedback. (Marchington and Wilkinson, 2015) defend the performance appraisal is “*a more limited approach which involves managers making top - down assessment and rating the performance of their subordinates at an annual performance appraisal meeting*”. Firms use individual measures of workers' performance as an approximation of their productivity. Most occupations have one or more metrics that can be used to evaluate how well workers perform. These measures, also known as “key performance indicators” (KPIs), are regularly used for internal evaluation and monitoring in firms.

Key Performance Indicators (KPI) are performance assessment tools that identify the extent of achieving the desired parameters in the industrial production lines, which is of major importance for the

success of the manufacturing company (Denton, 2015). KPIs represent a landmark that helps company employees and managers to understand the relevance of their work and the results to be attained. They can be predefined or chosen by the company management in order to assess the competence and how they assume the individual business goals. If implementation is needed, we see that in 90% of the cases, respondents fully or partially correlated the reward of employee with their KPI results. This leverage leads to a breakdown of discipline in the department - level strategic objectives, teams and individuals and to focus their efforts towards achieving activity performance. Key Performance Indicators must be quantifiable (measurable). If a KPI is going to be of any value, there must be a way to accurately define and measure it.

Implementation of a performance appraisal system in order to give a major influence on the productivity of human resources then it can be done with this performance appraisal system combines with assessment of Key performance indicators (KPI). This means that the creation of performance appraisal system is divided into two types of assessment namely (1) the assessment of KPI and (2) assessment of HR performance of its own. According to the two resulting values so we enable to read the value of individual performance. KPI assessment conducted within the scope of work unit to describe the performance of work units that are being shared contribution by all members within the work unit. This KPI assessment results will show the level of contribution of every member or individual in shaping the performance of units of work. Meanwhile the HR performance appraisal is done by covering the three dimensions of performance, i.e. (1) the dimension of the working capabilities, (2) the dimensions of the working behavior and (3) dimension of the working outcomes. The results of these assessment, will explain the HR performance Values. This HR performance values are become to be the reliability value of every HR to count the objective incentive that HR will accept.

2. THE PROFILE OF WOMEN COOPERATIVE “SETIA BHAKTI WANITA”, SURABAYA

This **Women Cooperative “SETIA BHAKTI WANITA, Surabaya** since the first operation on May 30, 1978, is one of the cooperative or a non bank financial institution containing units save borrowed. This women cooperative have some efforts with togetherness principal for all individual daily are supporting the interests of Member economies in order to promote the welfare of members. Service activities to cooperative members are as cheap as possible, and may be as good as possible, as well as being able to provide a quality service to the needs of its members. In the vision of this women cooperative clearly written that enhance the Cooperative Organization of women reliable and tough with the support of the professional human resources, as well as the implementation of the **“Jointly Responsibility system”** through the empowerment of the members so that they can improve their family economies. Towards the age of 40 years operationally on 2018. A management consultant evaluated turns out level of growth and development of this cooperative venture and explains that this cooperative running in the same position during years. The growth and development of its organization was not significant and still located in Surabaya. Just only in one province as before, namely java east province. It should be normally enable to operate in some province in Indonesia. Based on the results of the audit found that the organization growth is too small and it is more due to the low performance of human resources and some of the employees do not have the requirement competencies in the current position . There is no performance targets for each employee and a performance assessment that is done at this time is far from the objective matters. Starting earlier in the year 2018 is carried out management consultant to conduct a revamping of management and the consultants conducted to revise and make better performance Assessment and create a new performance assessment system. This activity is implemented after this consultant try hard to reframing mindset of the board and all employees. This assessment combines two rating, i.e. the assessment of Individual Performance and assessment of KPI. Indeed had been some denial over this change but eventually carried out decisive action so that this future cooperative work force becomes better and better prepared to develop. The implementation and use of the system alignment in this performance assessment which will be discussed in this paper about the successes, obstacles and benefits to form new energize for this cooperative to grow in the future with has a variety of competitive advantage.

3. RESEARCH QUESTIONS

The research questions are as follows:

- a. What are the outcomes of Performance Appraisal Based on KPI program to increase HR Productivity in **Women Cooperative “SETIA BHAKTI WANITA”, Surabaya?**
- b. How does the KPI System implementation held in Women Cooperative “SETIA BHAKTI WANITA”, Surabaya enable to increase HR Productivity and become the source of sustainable competitive advantage

4. RESEARCH METHODS

The approach used in this research was the qualitative approach of inductive theory building through a single case study (Eisenhardt & Martin, 2015) and this single-case research was expected to exploit significant phenomena under extreme conditions. The data collection method used multiple sources. Multiple data sources were required to support the validity and reliability of the data obtained. There were 6 sources of case study data namely documents, records, interviews, direct observation, participant observation, and physical devices. The use of multiple data sources and instruments was also intended for triangulation purposes, i.e. cross checks to improve the accuracy level of data. The data analysis procedure was done in 3 steps through in-depth interview, observation, and document analysis.

5. RESULT AND DISCUSSION

Numerous attempts have been made to this Women Cooperative includes (1) changing the mindsets to the Executive Board and all employees, (2) improving and perfecting the system of performance Assessment based on KPIs, (3) Socialization of future system changes within organization and (4) performance progress report after the changes. Description more details are as follows: **First**, held specific training activity delivery for Executive Board and All Employees to reframe their future mindset of this Organization. Actually, had strong support from the Executive Board and also got a positive response and having identified turned out to be simply derived from some employees who has a long working period, the less competent employees and employees who are reluctant to change because it is felt now in the comfort zone. Assertiveness and communication through a little coercive sanctions will be given with the actions of layoffs for those who do not want to change then it is slowly but surely going internal adaptation to be better. Despite the fact to do layoffs and mutations to put employees in the right position. The Executive Board are also willing to give a chance of increased competence through training so in fact this change effort have been facilitated very well. **Second**, conducted renewal Office description, performance assessment system and system of compensation. Starting with the creation of the manual Job Description becomes more complete and more generally to control employee behavior. Next up is made manual of Standard Operating Procedure (SOP) and with the intention to enabling the working quality and error rate decreased. The next activity was making the manual assessment of Key Performance Indicators (KPIs) that are deliberately made to the assessment of the work unit and Individual Work Assessment Guidebook with model 360 degree feedback. Both of these assessments into a single unity and deliberately made to change working patterns and patterns of individual responsibility or responsibility for improving the performance of individuals within each work unit. Finally, created a new compensation system based on the results of performance assessment and individual KPIs. This condition also created a new work phenomenon, building suggestion mindset who performs better then individual is entitled to receive the rewards are getting bigger. And vice versa. **Third**, There are some experiences in socializing about the whole Handbook is indeed emerging turmoil mainly by employees who are reluctant to change and assertiveness of the caretaker finally forced them to improve themselves because anyone who does not have a good performance after three quarters then would do layoffs. While many employees who are very enthusiastic about this change because they were accept the socialization as well as cooperative contributors who've worked long enough to want to see the future of this women's cooperative. **Fourth**, Some efforts to do the changes to working patterns with system responsibility every quarter realize look the existence of potential of

each employee in every work unit to do a performance improvement. Perceived quality of work and level of individual work increasingly minimal errors and looked a few quality improvement work. Already rare mistake recurring work on employees. Visible performance improvement in quarter 1 of the year 2018, by 17%, the increase in performance in quarter 2 of 23% and the highest increase occurred in the last quarter of the year 2018 where performance improvement reached 63%. A real accomplishment so that future must be maintained and further enhanced again.

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