IMPROVEMENT OF THE PERFORMANCE APPRAISAL SYSTEM AT PT XYZ

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Abstract

PT XYZ, a leading gaming company in Indonesia, underwent strategic transformation in 2023 - shifting focus to become a multifaceted gaming services provider in Southeast Asia. This research analyzed PT XYZ's performance appraisal system, identified gaps, and recommended improvements aligned with its renewed vision. The annual appraisal comprises cultural and competence reviews using 360-degree feedback. Self-assessments are veryfied before submission to HR, which produces mapping leading to Talent Mapping. Research objectives were assessing strengths/weaknesses, identifying gaps, and recommending practical enhancements tailored to PT XYZ. Diagnostic qualitative methodology examined the system. Results revealed fragmented data, scalability issues, dynamic criteria, subjectivity, limited feedback and recognition, and incomplete evaluations - despite a structured cultural/competence review. Proposed improvements include modernizing tools, enabling continuous feedback, and refining indicators reflecting industry demands. Recommendations aim to simplify appraisals, boost engagement, reduce subjectivity, and enable holistic evaluation - ultimately enhancing motivation, retention, and strategic alignment. Impact lies in potential to position PT XYZ as a leading regional gaming outsourcer. This contributes insights on optimizing appraisals for the Indonesian gaming industry. By addressing gaps and aligning systems to industry dynamics, recommendations can foster more engaging and effective evaluations at PT XYZ.

Keywords: Gaming Industry; Performance Appraisal; Employee Performance; Talent Development; Continuous Feedback Cultural; and Competence Review

Introduction

Performance appraisals are formal systems used by organizations to evaluate, direct, and reward employee performance (Murphy, Cleveland, & Hanscom, 2018). Appraisals benchmark employee performance to aid human resource decisions on training, promotions, compensation, and more (Deepa, Palaniswamy, & Kuppusamy, 2014). However, annual reviews fail to motivate improvement. Thus, continuous performance feedback is on the rise to give regular, informal discussions (Budworth & Chummar, 2018). However, little is known about continuous performance feedback as a practice (Budworth & Chummar, 2018). Notably, there is a lack of evidence that it enhances performance and motivation as desired. Furthermore, implementation varies regarding feedback content (quantitative vs. qualitative) and sources (computer vs. human) (Giamos, Doucet, & Léger, 2023). Critically, employees need timely feedback from managers on strengths and improvement areas (Reizer, Brender-Ilan, & Sheaffer,

2019). Yet prevailing systems misalign with strategic advancement and employee growth (Angelo DeNisi & Smith, 2014).

PT XYZ's annual appraisal comprises cultural and competence reviews, with talent mapping categorizing employees. Despite strengths in the structured cultural/competence analysis, major gaps exist: fragmented data, scalability issues, dynamic criteria, subjectivity, limited feedback/rewards, workload burdens, and incomplete evaluations. The system misaligns with strategic goals and employee aspirations for an innovative, automated process (Angelo S. DeNisi & Murphy, 2017). The resulting disengagement and inaccurate performance insights risk impeding PT XYZ's vision to become a top regional gaming outsourcer (Pukalos, et al., 2015; 2011).

The research aims to evaluate strengths/weaknesses in aligning with PT XYZ's needs and industry landscape; pinpoint improvement areas; and recommend practical modernization solutions tailored to PT XYZ's organizational and gaming industry goals in Indonesia. Proposed enhancements like feedback mechanisms and integrated data platforms can enable precise yet adaptable evaluations amidst the dynamic gaming sector, fostering retention and strategic advancement.

Method

The methodology for this research on PT XYZ's performance appraisal system is designed to provide a comprehensive analysis through a combination of diagnostic and qualitative methods. The study adopts a structured approach, focusing on identifying and addressing the gaps in the current performance appraisal process at PT XYZ, and offering practical recommendations relevant to the company and the wider gaming industry in Indonesia.

Primary data collection involves two main strategies: semi-structured interviews and focus group discussions. Interviews are conducted with key stakeholders in PT XYZ's talent management, particularly those who play a direct role in the performance appraisal process. This approach aims to gather in-depth insights into the practical challenges and effectiveness of the current system. The interviews revolve around three main questions, designed to explore the overall management of the appraisal process, the challenges in data compilation, and perceptions of the system's effectiveness.

Focus group discussions are held with employees and managers from various departments, facilitating an open dialogue about their experiences with the appraisal system. These discussions are intended to capture a wide range of perspectives, identifying issues and generating ideas for system optimization. The discussions are structured around key topics such as current perceptions of the system, problem identification, and suggestions for improvement.

Secondary data is also utilized, comprising existing company reports, academic articles, and relevant publications. This data provides a contextual backdrop, enriching the primary data with historical and institutional perspectives of PT XYZ. Data analysis follows the guidelines set out in "Panduan Penyesuaian Skripsi, Tesis & Disertasi" by Prof. Dr. Ir. Dermawan Wibisono, M.Eng. The objective is to identify and analyze problems in the performance appraisal system based on the collected data. This methodical approach ensures the research findings are robust, reliable, and relevant, providing actionable insights for PT XYZ's performance appraisal system.

Result and Discussion

The analysis revealed significant challenges within PT XYZ's current performance appraisal system. The HR team faced a high workload, particularly in updating competencies and assessment criteria for annual performance appraisals, involving extensive data entry and coordination across various departments. This process was not only time-consuming but also prone to delays due to scheduling issues and the reliance on manual processes (Al-Rwaidan et al., 2023). Furthermore, the system's subjectivity was a concern, leading to efforts aimed at reducing bias in appraisals (Kromrei, 2015). The Excel-based system, while user-friendly for basic tasks like filling out appraisal forms, presented difficulties in competence review, particularly in proving skills and managing recency bias in evaluations. Employees expressed dissatisfaction with the system, highlighting a lack of formal feedback mechanisms and recognition of their achievements.

PT XYZ introduced the OKRs approach as a supplementary tool for tracking and setting goals outside the annual appraisal framework. This initiative aimed to align individual objectives with the organization's broader goals, enhancing transparency and focus. However, the absence of a centralized system for managing annual performance reviews was identified as a significant obstacle. This lack of centralization led to fragmented data and inefficiencies, undermining the appraisal process's effectiveness.

The Cultural Review at PT XYZ is designed to assess employees on behavioral aspects reflecting the company's core values. This review includes detailed criteria for behaviors such as ownership, responsibility, empathy, unity, and innovation, among others. However, the process's detailed nature, while beneficial for clarity, can be overwhelming and time-consuming. On the other hand, the Competence Review evaluates employees across various professional competencies like communication, leadership, and problem-solving. Despite its comprehensive nature, the extensive criteria pose challenges in terms of time consumption and potential for subjective interpretation.

Develop Modern Performance Appraisal Tools

PT XYZ acknowledges that traditional performance appraisal methods face limitations in addressing the evolving needs of a dynamic workforce and the rapidly changing business landscape. The company is strategically shifting its focus towards adopting state-of-the-art performance appraisal tools. This strategic shift aims to revolutionize the performance appraisal process, making it more streamlined, transparent, and efficient, in alignment with the organization's overarching goals.

The adoption of modern performance appraisal tools promises a host of benefits. These include enhanced customization, user-friendly interfaces, advanced analytics, scalability, and the ability to address challenges such as fragmented data, low engagement, scalability issues, and dynamic criteria changes. These tools also facilitate real-time feedback, data-driven decision-making, standardized evaluations, and employee development planning. Moreover, they offer enhanced security, increased transparency, and support for agile practices, making them a catalyst for organizational success (Budworth & Chummar, 2018).

While third-party performance appraisal tools are available, PT XYZ recognizes the need for customization to meet its specific organizational needs. Factors such as cost, ease of use, customization, scalability, user training and support, performance analytics, reliability, employee engagement features, security, compliance, and support

for agile methodology should be considered when evaluating third-party tools (Stray, Gundelsby, Ulfsnes, & Brede Moe, 2022).

Key Features and Functionalities:

In developing its performance appraisal tools, PT XYZ focused on a comprehensive set of functional requirements (FRs) that included user profiles, secure login and authentication, role-based access control, self-review and lead-review forms, an HR evaluation interface, and integration with Objectives and Key Results (OKRs). These requirements were aimed at facilitating a detailed and efficient performance review process. In addition to these functional aspects, the company also emphasized non-functional requirements (NFRs) such as scalability, responsiveness, data security, backup and recovery, and uptime and reliability. These NFRs were critical in ensuring the system's overall performance, reliability, and security (Reizei, 2019).

A key focus in the development of these tools was on user interface and integration capabilities. The system was designed to be user-friendly, compatible across multiple devices, and featured a robust feedback mechanism. This was to ensure ease of use and to enhance the user experience. Furthermore, integration and interoperability were essential. The system needed to integrate seamlessly with existing Human Resource Management Systems (HRMS) and other relevant applications, thereby enhancing data consistency and operational efficiency.

The selection of development tools was left to the discretion of PT XYZ's internal development team, with recommendations provided for various aspects of the system. This included the use of Visual Studio Code as the Integrated Development Environment (IDE), programming languages like JavaScript and TypeScript, and frameworks for both front-end (React.js or Angular) and back-end (Node.js with Express or Django) development. MongoDB or PostgreSQL were suggested for database management, while Figma or Sketch were recommended for UI design. Additionally, tools like Jest for testing and Jenkins or GitLab for continuous integration/deployment were proposed to ensure a smooth development lifecycle.

The company anticipated challenges in resource constraints, resistance to change, development timeline pressures, and user adoption issues. To mitigate these challenges, a thorough resource assessment, prioritization of change management strategies, adoption of an agile development methodology, and focus on user involvement and training were suggested. These strategies aimed to ensure a successful development process and seamless integration of the new system into the company's workflow.

Transitioning to a Continuous Feedback Model

PT XYZ recognized the limitations of its traditional annual performance appraisal system, particularly its inability to capture the dynamic nature of employees' roles and contributions. This led to the exploration of a continuous feedback model. The objectives of this transition included improving real-time tracking of employee performance, enhancing evaluation accuracy, aligning with organizational changes, boosting engagement and satisfaction, and strengthening recognition programs. By moving to a more frequent performance appraisal framework, PT XYZ aimed to create a system that evaluates technical competencies and aligns with evolving cultural dynamics, ensuring a well-rounded assessment of employee performance throughout the year (Giamos et al., 2023).

The adoption of a bi-monthly feedback system necessitated investing in digital infrastructure to optimize this modernized approach. The need for user-friendly interfaces, centralized data management, integration with cultural and competence review criteria, real-time feedback features, performance analytics and reporting, scalability, flexibility, and robust security and compliance features were identified as essential requirements for effective tools and platforms (Buckingham & Goodall, 2015). These would facilitate the aggregation of performance-related information, enable holistic evaluations, and ensure data security and compliance.

PT XYZ aimed to integrate cultural behaviors and technical excellence into project performance through quick feedback loops. Regular check-ins would allow managers to acknowledge strengths and provide coaching in a timely manner, tying demonstrated skills directly to recent work. This approach was expected to enhance the understanding of how supportive mindsets underpin excellence and encourage continuous improvement of both soft skills and hard competencies. The model also involved documenting critical incidents for a comprehensive understanding of employee performance over time (Giamos et al., 2023).

The new model included structured practices at bi-weekly and bi-monthly intervals. Bi-weekly practices like sprint retrospectives and iteration reviews allowed for reflection on accomplishments and challenges, fostering a culture of improvement. Bi-monthly practices included reviewing previous cycle highlights, preparing for the next cycle, conducting mini cultural and competence reviews, 1:1 conversation to discuss progress, recognizing and rewarding outstanding contributions, and developing performance improvement plans when necessary. Starting with a pilot group, PT XYZ planned to iteratively refine the system, ensuring alignment with organizational needs and dynamics.

Improved Performance Indicators

PT XYZ identified the need for more robust and relevant performance indicators as part of enhancing its performance appraisal system. The company recognized that the effectiveness of any appraisal system is fundamentally measured by comparing the expected achievements with actual outcomes and behaviors demonstrated by employees. This realization underpinned the drive to develop indicators that accurately reflect employee performance in alignment with PT XYZ's organizational goals and the evolving demands of the gaming industry.

To address the evolving needs of a dynamic workforce and the changing business landscape, PT XYZ focused on developing modern performance appraisal tools (Alrashedi & Abbod, 2021). The intention was to move beyond traditional methods, which often fell short in capturing the comprehensive scope of employee performance. This strategic shift was aimed at fostering a more streamlined, transparent, and efficient appraisal process, which would seamlessly integrate with the organization's overarching goals (Kromrei, 2015).

The adoption of these modern tools was expected to offer a spectrum of benefits, enhancing the appraisal process in various ways (Aguinis, Joo, & Gottfredson, 2012). These benefits included improved customization, user-friendly interfaces, advanced analytics, scalability, and more. The new tools were designed to overcome limitations of conventional methods, providing a more accurate and holistic understanding of employee performance (Harrington & Lee, 2015).

The transition to modern performance appraisal tools was also a response to specific challenges faced by PT XYZ. These challenges included fragmented data management, low employee engagement in the appraisal process, scalability issues, and the need for dynamic criteria adjustment in annual reviews (Murphy et al., 2018). The modern tools were expected to provide centralized data management, enhance user engagement, offer scalability, and facilitate seamless adjustment to dynamic criteria, thus addressing these challenges effectively.

Conclusion

In this comprehensive study, the researcher has taken an in-depth look at PT XYZ's performance appraisal system, with the aim of identifying strengths, weaknesses, and opportunities for improvement. PT XYZ, a leading player in the gaming industry, has embarked on a strategic transformation to position itself as the leading gaming outsourcing entity in Southeast Asia. With its commitment to providing enriching gaming experiences and fostering a workplace where every individual feel valued, the company realized the importance of addressing internal challenges, especially in the area of employee performance appraisal.

PT XYZ faces several internal challenges related to its employee performance appraisal system, which is integral to HR management. The existing system suffers from issues such as fragmented data, low engagement, scalability challenges, dynamic criteria, subjectivity, lack of formal feedback mechanisms, absence of a structured recognition and reward system, and incomplete evaluations. Addressing these challenges is essential for improving employee motivation, talent retention, and alignment with the company's vision.

However, our research also found some strengths in the existing system, particularly in the Culture and Competency Review component. The review is highly structured and comprehensive, emphasizing soft skills and interpersonal dynamics, which aligns with the company's commitment to a cohesive culture. Nevertheless, challenges relating to detail, subjectivity and data management were identified in this review.

Based on these findings, our research has proposed practical and effective improvements to address the identified gaps in the assessment system. These include the development of modern performance appraisal tools, transitioning to a continuous feedback model, and improving performance indicators to reflect the evolving needs of the gaming industry. These recommendations aim to simplify the appraisal process, increase engagement, reduce subjectivity, and provide a more holistic view of employee performance. Table 1 is a comparison table highlighting the before and after the implementation of modern performance appraisal tools in a business setting, Table 2 is about transitioning to a continuous feedback model as business solutions, For Table 3 is a comparison table that outlines the changes before and after implementing the newly improved performance indicators.

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