

# CORRELATION AMONG CORPORATE PRODUCTIVITY, PERFORMANCE ASSESSMENT SYSTEM AND SALARY SYSTEM (A Numerical Representation of a Qualitative Survey)

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## Abstract

*In a highly competitive era of globalization, companies need high performance. In most organizations, human resources have a vital role in achieving organizational goals of efficiency and effectiveness that would eventually lead to the achievement of corporate productivity. Improving productivity is one big challenge that has engaged the attention of employers' whether private or public by devising appropriate mechanism for motivating their workers. The seriousness of this challenge can be understood from management's perception of the strong functional correlation between employee motivation and organizational productivity. In achieving these organizational goals, indeed the result of the implementation of a good performance assessment system and salary system, although there are also other factors involved affecting it.*

*Implementation of good performance appraisal system must consider several principles, namely: objective performance assessment, use of appropriate methods, the periodic execution, and implementation of compensation should be fair, clear and competitive results will be rewarding and motivating employees to work better. It is expected that the performance of employees will increase productivity of the company that later rose as well.*

*The purpose of this study are to propose a new methodology of analyzing survey results on the relation between corporate productivity (CP) against adopted performance assessment system (PAS) and salary system (SS) of a corporation and to identify correlation among variables that mentioned above. A standard survey with multiple answers hitherto has been analyzed by tabulating the answers obtained by categorizing into a set of trends. The current proposal however utilizes a weighting system supported by theoretical frameworks from previous studies and thereby converts a qualitative survey result into a numerical representation for statistical analyses. A simple test on the proposed methodology was carried out 13 sample companies in Indonesia. The correlations between corporate productivity against performance appraisal system and salary system found as a result tended to prove the applicability of the proposed methodology.*

*Researcher did not claim which this method is right or wrong, but this is something new that could be developed to see how far the implementation of performance assessment system and salary system in an organization and its has correlation to the company performance.*

**Keywords :** *Corporate productivity (CP), Performance assessment system (PAS) , Salary system (SS), Weighting*

## 1. INTRODUCTION

In a highly competitive era of globalization, companies need high performance. In any profit-oriented or nonprofit-oriented organizations, human resources have an important role in achieving organizational efficiency and effectiveness by managing the physical, financial and human resources in the most effective and efficient way. To do this, the organizations have developed a variety of complex processes and procedures. Among others, the most important dimensions of managing human resources are the assessment of performance (also known as performance evaluation, performance appraisal, performance management, reviews or ratings) and the implementation of a good salary system. At the same time, employees need feedback about their performance and guidance for their future behavior.

Attempts to reach company goals can be realized through the increase of productivity. Higher productivity will increase efficiency in company's operations, while the level of productivity itself is highly influenced by the performance or productivity of the employees. One of the important factors affecting employee productivity is motivation. Work motivation can generate enthusiasm and drive to work. Motivation can come from both internal and external sides. Externally, it can be obtained from the organization. In this regards, managers have duty to create a work environment that conducive to developing motivation.

Productivity can be defined as the ratio of output to input. Work productivity is affected by motivation, where the higher motivated employee will tend to be more productive, and vice versa. In the highly competitive globalization era, every organization should improve its work productivity. It is expected that by the higher productivity competitiveness, the organization will be more profitable and has better performance.

It is important to understand how the performance appraisal system will increase productivity. Silberman (2003) noted that "an effective performance management program can increase productivity and morale in your organization and help you retain valued high-performers". Meanwhile, according to Bruce (2002), the way to increase employees' motivation and productivity is by ensuring everyone to have a common understanding of what high performance is and by ensuring that employees know what is expected from them. Furthermore, she suggested that managers should recognize that they have influence to the employees and should use this influence to convince them that motivation has positive relation with performance.

To improve company's performance, the company should implement a good performance appraisal and salary systems to enhance employees' motivation.

## 2. LITERATURE REVIEW

### 2.1. *Corporate Productivity (CP) vs Motivation*

The performance of individual employee in a company is influential to company's productivity. Some factors are believed to affect the productivity of the company, i.e.:

- a. Skill, obviously this individual factor differs from one person to another.
- b. Attitude as well as other individual factors related to characters.
- c. Work Attendance / Absenteeism.

Although organizational factors contribute to the effectiveness of organization, such as turnover, absenteeism, and technology, probably the most important and influential factor is job performance. Job performance is typically viewed as partially determined by the motivation to work hard and, therefore, increases in motivation should result in greater effort and higher performance (Mitchell, 1982). Furthermore, Mitchell stated that before any motivation system is installed, one must be sure: (a) that there is a good performance

appraisal system available, (b) that motivation is an important contributor to performance, and (c) that where motivation clearly is not the major contributor to performance, a separate measure of motivation or of behaviors clearly caused by motivation is developed.

Employees who work in an organization have the varied characteristics and backgrounds. Therefore, every employee has different needs and different desires, hence different causes for motivation. Individual differences also cause differences in performance / productivity of their work. The productivity of an employee's work among others is affected by their motivation. Differences of behavior among members of the organization make a manager to understand the motivation that is owned by each member of the organization; how to motivate them, who in turn can increase their productivity.

These important questions about employees' behavior can only be answered by managers who have a grasp of what motivates people. Specially, a good understanding of motivation can serve as a valuable tool for understanding the causes of behavior in organizations, for predicting the effects of any managerial action, and for directing behavior so that organizational and individual goals can be achieved. (Nadler and Lawler, 1977).

Motivation can be sourced from internal and external. One of the external sources of motivation is from the organization. Therefore, the management of organizations should be able to create a climate that can motivate their employees. A motivated employee tends to be more productive than those not motivated. Motivation is one important factor to increase work productivity, which in turn would increase profits for the organization or company. There are various concepts or theories of motivation that can be used as reference by the managers to learn and understand the various motivations that are owned by their employees within the organization. All considered, that between the motivation and productivity can be said to be a causal relationship, which is one of the impacts on the other side will make an impact on others.

The productivity of most organizations is a function of the way in which three variables are managed: technology, capital, and human resources (Latham & Wexley, 1994). Employee productivity depends on the amount of time an individual is physically present at a job and also the degree to which he or she is "mentally present" or efficiently functioning while present at a job.

Motivation is considered as the main determinant for increased productivity / performance (Gibson, Ivancevich, and Donnelly, 1996). An employee's productivity depends on employee motivation to work. The higher the motivation for someone to perform a job, the higher the productivity. This is consistent with the goal of formulating the theory that productivity is a function of motivation:  $P = f(M)$ . While according to the expectancy theory of productivity is a multiplication of motivation with the ability:  $P = M \times A$  (Suprihanto, 1986).

Productivity represent multiplication function from effort of employees, supported by high motivation, and ability of human resource through productivity practices which mounting, meaning good performance, will become feedback to continuing organization activity (Klingner and Nalbandian, 1998).

According to the results of a survey conducted by the Employers and Manufacturers Association, where they have been reviewed as many as 521 cases that went before the Employment Relations Authority in 2008 showed that 67 percent fall in support of employees. One of the problems is that in many cases when dealing with poor employee performance, because employers do not follow the required process. (Atkins, 2009). So that the poor performance of employees will affect the company's productivity, team spirit and work culture within the company.

Improving productivity is one big challenge that has been engaged by the employers, whether private or public, through devising appropriate mechanism for motivating their

workers. The seriousness of this challenge can be understood from management's perception of the strong functional correlation between employee motivation and organizational productivity.

## **2.2. Motivation vs Performance Assessment System (PAS)**

In the human resources management, performance appraisal systems have a vital role. The performance evaluation is an important mechanism for controlling the organization, where employees can view their performance in the immediate past and take concrete actions for improvement. Performance appraisals also provide important information for the management of human resources to create fair and correct decisions regarding promotions, transfers, compensation, incentives and training programs and career management. Special companies typically require different performance appraisal system tailored to the needs of the functions and processes (Chen & Chu, 2007).

Assessment of performance is related to the motivation of employees. Especially the provision of feedback to enable employees to learn how the employee worked; setting specific goals about what employees should do; team-building to enable employees to participate with friends and their managers in solving problems that hinder their productivity, and monetary incentives that reward good performance (Latham and Wexley, 1994).

According to Mathis and Jackson (2000), the factors that affect the individual performance of workers, namely: 1. ability, 2. motivation, 3. support that received, 4. existence of work that they do, 5. Relationship with the organization. Meanwhile, according to Gibson (1987) there are three factors that affect performance: 1) individual factors: ability, skill, family background, experience of employment, social and demographic levels of a person. 2) Psychological factors: perception, roles, attitudes, personality, motivation and job satisfaction 3) organizational factors: organizational structure, job design, leadership, reward systems.

The performance evaluation (performance appraisal) is a key factor in order to develop an organization effectively and efficiently. Individual performance appraisal is very beneficial for the growth dynamics of the organization as a whole. Through an assessment can be known about how the actual conditions of employee performance can be known. According to Bernardin and Russell (1993) "A way of measuring the contribution of individuals to on their organization." The performance evaluation is a way of measuring the contribution of individuals (employees) to the organizations where they work.

Furthermore, regarding definition of performance appraisal Grote (2002) stated that "Performance appraisal is a formal management system that provides for the evaluation of the quality of an individual's performance in an organization". Performance appraisal is "the process of evaluating how well employees perform their jobs when compared to a set of standards, and then communicating that information to those employees "(Mathis and Jackson, 2000).

For a good performance appraisal, Messmer (2000) stated that there are several elements of a good performance assessment: 1) formulation of the goals that will be done by workers or leader at the end of the assessment, 2) a list of specific competencies or skills to be measured with a successful example of the behavior / performance, 3) scale ranking or rating is right for the organization, 4) the space for workers in assessing for themselves, 5) the space for the assessment supervisors / managers, 6) space for special events from the manager about performance of their employees, 7) encourage the development of worker / employee, 8) the goal to align with the next valuation date.

ACAS booklet (2005) provides general principles in formulating a good performance assessment system: what is the purpose of performance assessment?, who should be

assessed?, who conducted the assessment?, how often should the assessment take place?, what methods are used in assessing employee performance?, how the interviews conducted?.

Regarding the objectives of performance appraisal system, ACAS Booklet (2005) mentions that the primary purpose of assessment system used for reviewing performance, assessing potential employees and identify training needs and career planning. Besides the performance appraisal system can be used to determine whether the employees are eligible to receive financial rewards for their performance or not.

Many scholars argue that Performance Appraisal System is implemented for several purposes (See, McGregor (1957), Klatt, Murdick, and Schuster (1978), Meyer *et.al* (1965), Haslam *et.al.* (1993), Wilson and Western (2000), Kamal (2001), Grote (2002), Montague (2007), Morgenson *et.al.* (2009)). Klatt, Murdick, and Schuster (1978) report on a study conducted by Schuster and Kindall (1974) in which the performance appraisal practices of Fortune's 500 corporations are described. Of the 403 corporations surveyed, 316 (78%) reported the use of some type of formal performance appraisal system. Further, they report the performance evaluations were used for a variety of purposes, as showed below :

**Table 1. The purposes of appraisal system**

No.	Uses of Appraisal	Responses	
		Number	Percentage
1.	Merit increases or bonuses	238	75,3%
2.	Counseling employees	278	88,0%
3.	Planning training or development for employees	270	85,4%
4.	Considering the promotion of employees	266	84,2%
5.	Considering the retention or discharge of employees	184	58,2%
6.	Motivating employees to achieve higher levels of performance	269	85,1%
7.	Improving company planning	178	56,3%
8.	Other	28	8,9%
Total company reporting		316	

Source : Klatt, Murdick, and Schuster (1978)

Formal performance appraisal can be accomplished after any period, although it is normally conducted on an annual basis. Sometimes organizations require it be done more frequently, quarterly, or semiannually. Frequent performance appraisals can result in greater understanding of the job and improvement in job performance (Nathan et al, 1991). Mathis & Jackson (2000) state that appraisal typically are conducted once or twice a year, most often annually. For new employees, common timing is to conduct an appraisal 90 days after employment, again at six months, and annually thereafter. Also Anderson in Towers (1996) says that the most common corporate practices are to hold performance appraisals every twelve months or every six months, although more-frequent and less frequent variations can and do occur.

Bhatia (2010), based on the results of his research where he has worked with many companies, found that each step in the assessment process should be no more than 4-5 working days. Further, he said that in assessing the performance of at least six stages which totally takes over 15 - 35 days. The different steps in the assessment process and their time-line might be:

**Table 2. The Steps and Ideal Time for completing PAS**

No	STEPS	Proposed Time-Line
1	Employees finishing their self assessment and submit it to their managers	2 days
2	Managers finishing the assessment process and submit it to Heads of Departments	5 to 10 days (depending on the team size)
3	Head of the Departments completed the score of their employees and then submit it to the HR department	2 to 5 days
4	HR do normalization (removal of departmental bias) throughout the organization, complete the assessment scores and submit it to the managers	3 to 12 days (depends on the level of interaction required)
5	Managers to discuss the appraisal with the employee and then give those results to the employee for final acceptance	2 to 5 days (depending on the team size)
6	Employees receive their assessment results and sign it	1 day
<b>Total Time Taken</b>		15 to 35 days

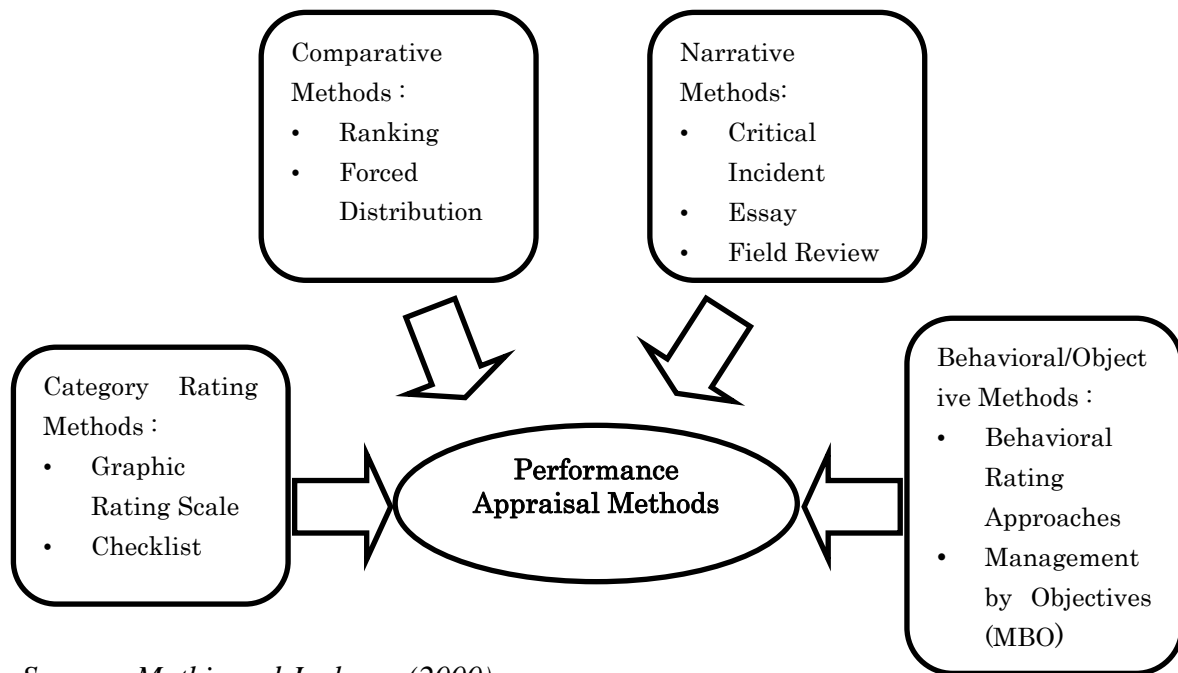
Source: Bhatia, 2010

Futhermore, performance appraisal can be conducted into two ways, informal or formal. An informal appraisal is conducted whenever the supervisor feels it necessary. A systematic appraisal is used when the contact between manager and employee is formal, and a system is in place to report managerial impressions and observations on employee performance (Mathis & Jackson; 2000, Anderson in Towers; 1996, Oberg; 1972). Although informal appraisal is useful, it should not take the place of formal appraisal.

Performance can be appraised by a number of methods. Winston & Creamer (1997) noted that there are numerous methods to measure employee's performance appraisal but some of these methods are not suitable in certain cases. Effective appraisal system should include clarity, transparency, and justice; give recognition to productivity through the reward; and realize the leadership qualities of appraisers.

According to Mathis and Jackson (2000), various methods are categorized into four major groups:

1. Category Rating Methods
2. Comparative Methods
3. Narrative Methods
4. Behavioral/Objective Methods



Source : Mathis and Jackson, (2000)

Figure 1. Performance Appraisal Methods

- *Rating* – is a performance appraisal technique in which evaluators assess employee performance using a scale for measuring the performance factors (performance factor). For example is in measuring the level of initiative and responsibility of employees. Scale used is 1 to 5, ie 1 is the worst and 5 is the best. If the level of initiative and responsibility are casual employees, for example, then he was given a value of 3 or 4 and so on to evaluate other performance factors.
- *Critical incidents* – a performance assessment technique, in which the evaluator noted about what behavior / achievement of the best and worst (extremely good or bad behavior) for employees in the assessment period.
- *Ranking* – is a performance appraisal technique by comparing employee to another employee with the aim of putting them in order of value of a simple level.
- *Narrative report* – a performance assessment technique, in which the evaluator write a description about the strenght of employees, their weaknesses, their performance in the past, its potential and provide suggestions for the development of employees.
- *Behaviourally Anchored Rating Scales* – a performance assessment technique, in which evaluators assess the employee based on some type of behavior that reflects the dimensions of work performance and make the scale. It is a combination of the rating scale and critical incident techniques of employee performance appraisal.
- *Management By Objectives (Comparison with objectives)* – is an appraisal method that oriented to the achievement of employment targets. In the MBO method, each individual employee is given his own target, which corresponds to the work unit goals in one period of work. MBO performance assessment methods conducted at the end of the period refers to the realization of the target.

According to Jafari, et.al (2009), they offer a conceptual framework in the selection of employee assessment methods and comparing several methods of performance assessment in order to facilitate the selection process for the organization. This framework is built on the theory and literature studies. The framework is based on six factors which are training needs evaluation, coincidence with institutes, excite staff to be better, ability to compare, cost of

method, and free of error. The framework called Simple Additive Weighting (SAW), and the final result of their research as shown below:

**Table 3. The Grade of Performance Appraisal Method based on SAW**

No.	Methods	Method's Grades
1	Management By Objective	0.91
2	360 Degree Feedback	0.87
3	BARS	0.82
4	The checklist	0.72
5	Forced choice, Ranking	0.66
6	The critical incident	0.54
7	The graphic rating scale	0.51
8	The essay	0.40

Source : Jafari, et.al (2009)

### 2.3. *Motivation vs Salary System (SS)*

Typically, organizations use compensation to motivate employees. Compensation is a benefit received by employees for services that have been given to the company; it could be financial benefits in the form of salary, wages, wage incentives, bonuses, insurance, and allowances, and non-financial benefits in the form of physical conditions of work environment and payroll systems applied by the company. Motivation cannot be imposed upon employees. The rewards can motivate some employees but not necessarily other employees. Employees will be motivated to do better work when they feel the benefits granted distributed fairly. Perceived lack of fairness and worthy causes give rises to various problems. Company must realize that the system of compensation that is applied will affect employee motivation. High employee motivation will improve employee performance which ultimately will improve performance of the company.

Fairness is a fundamental factor of the compensation or salary system (Newman & Milkovich, 2004). A statement such as “fair treatment for all employees” reflects a concern for justice. The purpose of justice focus on making compensation systems that recognizes both the contribution of workers (the higher the performance or experience or training the higher the compensation given) and the needs of workers (giving minimum wages, or health insurance).

According Simamora (2004), equity compensation is divided into three, namely:

#### 1) **External equity**

Appropriate wage rates with salary applicable to similar jobs in the external labor market. The rate should be assessed by comparing the external equitable jobs in similar organizations. Two conditions must be met: (1). work compared must be equal or nearly equal, and (2). the surveyed organizations have a similar size, mission and business sector.

#### 2) **Internal equity**

Internal justice is a function of the relative status of a job in the organization, the financial value of the work, or organizational status of the job, such as hierarchy power, and influence. The equivalent positions should be awarded with similar remunerations.

#### 3) **Individual equity**



Individual worker feels that he is treated fairly compared to his colleagues. When a worker receives compensation from the companies, the perception of fairness is influenced by two factors: (1) the ratio of compensation to the input of effort, education, training, resistance to adverse working conditions of a person, (2) comparison of this ratio with the ratio of other workers who come into contact with him directly.

Salary system is created and organized to achieve certain goals (Newman & Milkovich, 2004). These objectives include efficiency, fairness (equity) and compliance in accordance with the laws and legislation in force. Efficiency objectives specifically include increased productivity and control cost of labor. Compliance, as a goal, related to the implementation of all laws and regulations on compensation. When the legal and statutory regulations are changed, then the compensation system itself also needs to be adjusted.

Salary is a key factor that can affect relationships in the workplace. The level and distribution of salaries and allowances can have a major influence on the efficiency of any organization, as well as on the morale and productivity of labor. Therefore, it is important that organizations develop pay systems that suit them and gives value for money, and that reward workers fairly for the work they do.

Salary system is a method in giving the award to someone for his contributions to the organization. Ideally, the system must be simple and clear to follow and understand, so workers can easily find out how they are affected. (ACAS Booklet, 2005; Simamora, 2004).

### **3. DISCUSSION OF THE PROPOSED METHODOLOGY**

An ordinary survey with multiple choices is often conducted to elucidate correlation among various factors acting on companies. In order to obtain as unbiased answers from responding companies as possible the survey questionnaires should be as innocuous as they can be. However the more innocuous the questions are the less insights can be obtained.

The proposed methodology may overcome this dilemma. A survey conducted with a use of entirely innocuous questionnaire could be analysed to elucidate the in depth position of the responding company by applying weightings on the answers. The weightings are determined by the detailed investigations on the previous researches published on the relevant subjects.

As the authors were interested in the correlation between corporate productivity against performance assessment system and the salary system a simple questionnaire was created as per the ACAS booklet (2005) which explained the general principles in formulating a good performance appraisal system: what is the purpose of performance assessment, who should be assessed, who to conduct the assessment, how frequent should the assessment take place, what methods are used in assessing employee performance, how the interviews conducted? On the salary system: Is a salary system fair, simple and clear to follow and understood, can employees easily find out how they are affected?

In a survey conducted the respondents are allowed to choose more than one answers to each of the questions in order to minimize any interference or control by the surveyers. The obtained answers to the questionnaire are then subjected to the weighting from 1 to 10 as shown below along with the questionnaire questions:

## THE MATRIX OF WEIGHTING AND REASONING

Interval of weight: 1 – 10

### Performance Assessment System (PAS)

**Q 1 : What the Performance Appraisal process is used for ?**

Answer	Weight	Reasons
A	6	By assessing potential employees for the future will be known to the people who have the potential to be promoted. In other words the existence of career development that is based on performance appraisals will motivate people to perform better.  (See; McGregor (1957), Oberg 1972, Meyer <i>et.al</i> (1991), Wilson and Western (2000), Kamal (2001), Grote (2002),
B	9	Training to help develop employee skills that are critical for success in competitive environment. Training and development can help in supporting company's competitiveness by increasing the company's value through contributing to its intangible assets. Training and development have benefit for individual and organization. Individually benefit is the employee has new skills, knowledge, abilities after the training. For organizations, they will have more capable employees who can ensure the achievement of organizational goals. (See, McGregor (1957), Klatt, Murdick, and Schuster (1978), Haslam <i>et.al.</i> (1993), Wilson and Western (2000), Kamal (2001), Grote (2002), Montague (2007), Morgenson <i>et.al.</i> (2009),
C	7	Compensation package will motivate people to work better, so that organizational goals will be achieved. By capturing the compensation for performance relationship the idea that pay decisions are correlated or validated by performance is inferred. (also see; McGregor (1957), Levinson (1976), Meyer <i>et.al</i> (1991), Wilson and Western (2000), Grote (2002), Kamal (2001), Cederblom (1982)).
D	4	Typically, a process to identify backups to key managerial positions and their readiness for promotional opportunities. Contains supporting action plans to strengthen individual readiness for promotion by identifying developmental needs and setting into motion plans to enhance one's candidacy for promotion. Identify cadre of leaders who can be relied upon. (Banks and May, 1999; Bulger, 1995, Mohrman and Mohrman, 1995).
E	3	For the other purposes.....

*Answer Notes :*

- a) Assessment on future potential / promotion
- b) Assessment on training and development needs
- c) Compensation packages
- d) Succession planning
- e) Other.....

**Q 2 : What kind of Performance Appraisal does the company follow?**

Answer	Weight	Reasons
A	9	<p>Competencies are defined as the knowledge, skills, abilities, and other personal characteristics that are most instrumental for achieving important job outcomes that contribute to organizational success. Using competence-based interviewing techniques, managers can determine if an individual has the knowledge and skills needed to be effective in the future and demonstrate the potential to become outstanding. It will have an impact on employer’s ability to attract applicants, retain employees, and ensure optimal levels of performance from employees in meeting the organization’s strategic objectives. Competence-based management creates opportunities for effective strategic human resource management.</p> <p>Competencies are also used to identify a person’s ability to do a job, and for developmental programs and performance evaluation standards. (Hagan, (1996), Abraham <i>et.al.</i> (2001))</p> <p>These competencies are critical to the success of the organization as it focuses on organizational goals versus individual goals (Grote, 2000)</p> <p>Organizations that use core competence-based systems for their employees are often referred to as visionary or high-performance organizations (Collins and Porras, 1996).</p>
B	3	<p>Here the appraiser is supposed to rate the personality traits of the person being appraised. This is not a useful measure as it is very subjective and judgmental. It could also be biased and prejudiced.</p>
C	6	<p>This system concentrates on the final results achieved by the employee irrespective of his personality or deficiencies. This is totally related to the job and concentrates on the end results that are more important to the organization.(Levinson ; 1976)</p>

Answer Notes :

- a) Competence based
- b) Personality type based
- c) Results based

**Q 3 : When do you conduct the Performance Appraisal, what time of the year ?**

Answer	Weight	Reasons
A	8	<p>It is a minimum requirement and in some cases a reasonably satisfactory frequency. The subordinates evaluated at least once a year viewed their evaluations (Landy <i>et.al</i>, 1978)</p>
B	10	<p>It is ideal to conduct performance appraisal twice per year, because this provides an interim check on the performance of the employee and allows the employee to correct his actions in the second half of the year. Yet it is not too frequent to interfere the job execution. (Nathan <i>et.al</i>, 1991; Mathis and Jackson, 2000)</p>
C	5	<p>It may be necessary for new employees, but when done to the long-working employees it can be even demotivation as the implication</p>

		could be taken that the employee's performance is less. (Miner, 1974; Kane & Lawler, 1979)
D	3	If the company conduct PAS more than one year, it may be is too long time. Employees need feedback about how they have perform in their jobs. (Kane & Lawler, 1979)

*Answer Notes :*

- a) Annually,
- b) Bi-annually,
- c) Quarterly
- d) Other.....

**Q 4 : How long does it take to complete the process?**

Answer	Weight	Reasons
A	4	In view of speedy action to do it one week may be ideal but it might not be able to capture those people out of office for prolonged business trip
B	10	Allowing 2 weeks would provide all concerned appropriate duration for preparation and interviews (Bhatia, 2010)
C	8	However if it becomes as long as 3 weeks the business world could change and the assessment may be affected by such changes
D	6	The issues arising from a prolonged period given above are exacerbated
E	2	Better than not doing the assessment

*Answer Notes :*

- a) 1 weeks
- b) 2 weeks
- c) 3 weeks
- d) 1 month
- e) More.....

**Q 5 : Which method of Performance assessment does the company use?**

Answer	Weight	Reasons
A	4	Because there is no specific definition for any given trait evaluation of a particular trait can vary from one person to another. This may create confusion among the employees and give rise to tension between the employee and the employer. (see, Jafari <i>et.al</i> , 2009)
B	9	The disadvantage of this process is that in a way, every employee starts to outperform others resulting in a non-cooperative atmosphere in the work place and in turn affecting the productivity. Nevertheless this method often helps in obtaining higher levels of performances from the employees. (see, Jafari <i>et.al</i> , 2009)
C	5	It requires that supervisor jot down incidents on a daily, or the very least, a weekly basis. This can become a chore. (Oberg, 1972). Also induces involuntary atmosphere among the employees.
D	6	This method is applicable only on those employees who are doing the same kind of job. That it can trigger off rivalry among its employees, which may adversely affect the working environment. A negative performer is labeled as a loser in this method which may affect the motivation of the concerned employee. (see, Jafari <i>et.al</i> , 2009)
E	3	The variability would result in length and content. Moreover if essays touch on different aspect of a employee's performance or personal qualification, this is difficult to combine or compare. (Oberg, 1972)
F	7	A slightly complicated as well as time consuming process because for each type of job, a suitable scale has to be constructed. However PA results of BARS are more reliable and valid than those of the Graphic Rating Scale (Burgess, (1994); Jafari <i>et.al</i> (2009))
G	Mixed	If the company uses a combination of performance appraisal methods, the value added score is a combination of methods made use of the combination. One method that is suitable for a company may not be right for others. It depends on the system prevailing in the company. Sometimes, companies use more than one of these methods for better analysis of their employees. (also see Oberg, 1972)

Answer Notes :

- a) Rating scales
- b) Management By Objective (MBO) / Comparison with objectives
- c) Critical incidents
- d) Ranking
- e) Narrative report
- f) Behaviorally Anchored Rating Scales (BARS)
- g) Other / mixture of the above methods.....

**Q 6 : How is the performance assessment system conducted?**

Answer	Weight	Reasons
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A	5	If the performance evaluation conducted in a friendly manner the assessment may be influenced by the friendship that exists between the employee and the assessor and the assessment becomes less objective.
B	7	Having employees involved will encourage the employee to feel that his or her opinions and ideas are valued and will reduce the amount of defensiveness when it comes time for the interview. (Meyer <i>et.al</i> , 1965; Robert, 2002)
C	3	If performance measures are carried out with flexible time, it tends to indicate that the performance assessment system is less systematic. Resulting in an ad hoc execution of appraisals and the employees do not get the opportunity to do the preparations for the performance appraisal interviews? If the content of the assessment is made flexible it may allow the assessment more personalized.
D	9	With the implementation of a formal performance appraisal, would be scheduled in a systematic manner and provide the opportunity for employees to do the preparation for the interview. (Cederblom, 1982, )

Answer Notes :

- a) Friendly
- b) Participatory
- c) Flexible
- d) Formal

### Salary System (SS)

**Q 1 : The current pay system is.....**

Answer	Weight	Reasons
A	9	<p>If employees receive appropriate or fair in salary or compensation hence they feel satisfied, and then will feel motivated to do their work well so that their performance expected will be increase. Finally, with a good or high performance hence the objective of organization will be achieved. Equal Pay for equal Work. Compensation paid to each employee must adjusted performance, job type, job risk, responsibility, office workers, and meet the requirements internal consistency.</p> <p>Reviews of equity studies conclude that perceptions of equity can significantly alter individuals' performances (Goodman and Friedman, 1971; Walster, and Berscheid, 1978; Greenberg, 1982, 1987, Pfeffer &amp; Langton, 1993);</p> <p>Equity theory (Carrell &amp; Dittrich, 1978; Goodman, 1977) suggests that people are motivated by a desire for fairness.</p>
B	6	Okay have meaning the perception of employees toward salary that they received is enough. Compensation received by employees can meet needs at the level of normative ideal.
C	3	This is opposite of fair, if employee receive inappropriate or unfair in salary or compensation hence they feel dissatisfied, and they do not have motivation to do their work well so that their performance will be decreased. Consequential poor performance by the employees would lead to a failure to achieve the objective of organization. Furthermore

		can cause the increasing turnover of employees. An inequity would create tension among the employees. (Harder, 1992)
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*Answer Notes :*

- a) Fair
- b) Okay
- c) Unfair

**Q 2 : How does competitiveness level of your pay system among the others companies?**

Answer	Weight	Reasons
A	9	If the salary level is high it would keep employees who would esteem the company. It could allow the company to employ less number of fully motivated people and thus fixed cost could be even reduced. (Simamora, 2004)
B	6	The amount of compensation here equals to minimum wage limit imposed by the Government.
C	3	If the competitiveness of salary is low, it would cause employee turnover. The dissatisfied employees will move to other companies where the salary is better.

*Answer Notes :*

- a) High
- b) Standard
- c) Low

**Q 3 : The current pay system is.....**

Answer	Weight	Reasons
A	9	A clear understanding and explanation of how the total compensation and rewards are determined. If the company has a clear salary system, it can satisfy its employees and motivate them to perform better in their roles. A transparent performance appraisal system will create employee's confidence in the company. (ACAS, 2005)
B	6	Understandable does not mean it is totally clear. Its means that the employee is forced to believe in the system.
C	3	If a company does not have a transparent salary system, it will cause distrust by the employees.

*Answer Notes :*

- a) Clear
- b) Understandable
- c) Unclear

Thus, what is an innocuous survey can be numerically represented and allows itself for further treatments such as elucidating the correlation coefficients through SPSS analysis or formulating the correlation functions among the parameters involved.

**4. TEST SURVEY**

A test survey was conducted on a number of companies in Jakarta and Surabaya, Indonesia as listed in Table 4 and 5.

**Table 4. The Companies Name, Status, Location and Type Surveyed**

NO	COMPANY NAME	STATUS	LOCATION	TYPE
1	PT. KG	POE's	Surabaya	Retail
2	PT. CP	POE's	Surabaya	Retail
3	PT. WA	POE's	Gresik	Cement Distributor
4	PT. IN	POE's	Jakarta	Printing & Publishing
5	PT. TK	SOE's	Mojokerto	Manufacturing, Pulp & Paper
6	PT. MAC	POE's	Surabaya	Services /Health
7	PT. RZ	POE's	Surabaya	Services / Advertising & Event Organizer
8	PT. PG	SOE's	Jakarta	Manufacturing, Instalation
9	PT. HAI	POE's	Jakarta	Manufacturing, Food
10	PT. ABDA	POE's	Jakarta	Finance & Insurance
11	PT. TMP	POE's	Jakarta	Printing & Publishing
12	PT. WK	SOE's	Jakarta	Construction Services
13	PT. UM	POE's	Malang	Manufacturing, Tobbacos

**Note :**

POE's = Private Owned Enterprise

SOE's = State Owned Enterprise

**Table 5. Company Names, Net profit and Number of employees in 2009**

No	Company Name	Net profit 2009 / year (IDR)	Number of employees 2009	Productivity / Year(IDR)
1	PT. KG	6.600.000.000,00	155	42.580.645,16
2	PT. CP	6.960.000.000,00	150	46.400.000,00
3	PT. WA	37.440.000.000,00	121	309.421.487,60
4	PT. IN	108.199.710.608,00	720	150.277.375,84
5	PT. TK	378.580.000.000,00	12.844	29.475.241,36
6	PT. MAC	50.880.000.000,00	187	272.085.561,50
7	PT. RZ	323.000.000,00	53	6.094.339,62
8	PT. PG	6.229.043.496.319,00	1.700	3.664.143.233,13
9	PT. HAI	3.000.000.000.000,00	3.009	997.008.973,08
10	PT. ABDA	14.087.000.000,00	450	31.304.444,44
11	PT. TMP	2.876.000.000,00	195	14.748.717,95
12	PT. WK	132.621.941.132,00	6.015	22.048.535,52



13	PT. UM	47.825.400.000,00	580	82.457.586,21
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Source : Primary Data, 2010

The weighted total of the survey and the corporate productivity are tabulated in Table 6.

**Table 6. Recapitulation of Survey Result**

NO	COMPANY NAME	PAS TOTAL	SS TOTAL	PRODUCTIVITY / YEAR
1	PT. KG	33	18	42.580.645,16
2	PT. CF	44	18	46.400.000,00
3	PT. WA	71	24	309.421.487,60
4	PT. IN	72	24	150.277.375,84
5	PT. TK	83	21	29.475.241,36
6	PT. MAC	85	24	272.085.561,50
7	PT. RZ	34	18	6.094.339,62
8	PT. PG	74	24	3.664.143.233,13
9	PT. HAI	65	21	997.008.973,08
10	PT. ABDA	60	24	31.304.444,44
11	PT. TMP	56	21	14.748.717,95
12	PT. WK	42	18	22.048.535,52
13	PT. UM	48	24	82.457.586,21

Source : Primary Data, 2010

By using the statistical method of rank spearman correlation analysis the data were processed using SPSS program. The purpose of Spearman rank analysis (rs) is to determine the relationship between two variables, namely variable PAS vs. CP, and CP vs SS.

On treating the result in Table 6 by SPSS Table 7 is obtained.

**Table 7. Correlation Coefficient Results**

		PAS	SS	CP	
Spearman's rho	CP	Correlation Coefficient	0,5549	0,5995	1
		Sig. (2-tailed)	0,0490	0,0303	.
		N	13	13	13

\*\* Correlation is significant at the 0.05 level (2-tailed)

To provide interpretation of the correlation coefficients found in the large or small, weak or strong, the authors were guided by the provisions proposed by Ratner (2009) shown in the table below:

**Table 8. Interpretation of the size of a correlation**

Correlation Coefficient (r)	Negative	Positive
Weak	0,0 to -0,3	0,0 to 0,3
Moderate	-0,3 to -0,7	0,3 to 0,7
Strong	-0,7 to -1,0	0,7 to 1,0

Source : Ratner, 2009

Then Table 7 is converted to Table 9.

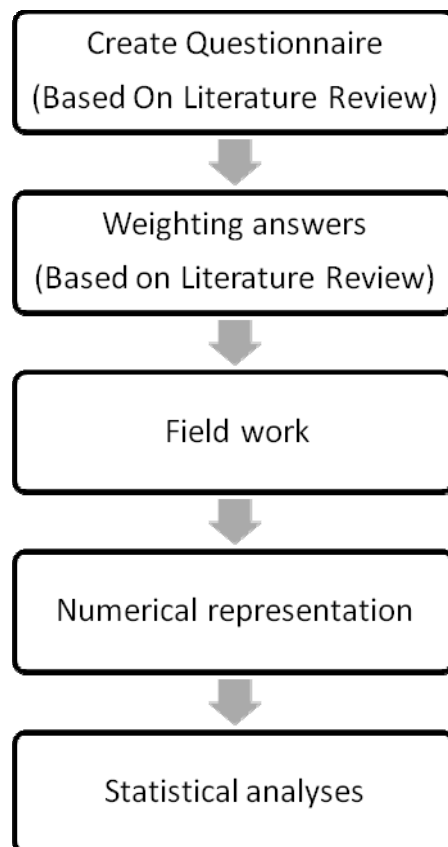
**Table 9. Interpretation of the results**

<b>Correlation</b>	<b>Correlation Coefficient (rs)</b>	<b>Interpretation</b>
CP vs PAS	0,5549	Moderate linear relationship
CP vs SS	0,5995	Moderate linear relationship

The results reported in the above table show that performance assessment system ( $r = 0.5549$ ,  $p < 0.05$ ) and salary system ( $r = 0.5995$ ,  $p < 0.05$ ) are significantly related with corporate productivity in some companies in Indonesia. It means that by implementing a good performance assessment system and salary system will bring corresponding change in corporate productivity.

## 5. CONCLUSION

The proposed methodology to convert an innocuous questionnaire survey to a numerical representation is summarized,



The methodology therefore allows statistical treatment on a qualitative survey. An initial proof that the proposed methodology works is shown in terms of Spearman rank analysis correlation coefficients that confirmed the a priori knowledge on the correlation between corporate productivity against performance appraisal system and salary system.

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