

# Participatory Performance Measurement or Self-Assessment: Amelioration Employee Job Satisfaction

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## Abstract

The purpose of research is to explore the differences in employee satisfaction levels based on type of performance measurement. The types of performance measures that used by an organization to evaluate its employees performance is critical because it is likely to affect employees job satisfaction. Empirical research has shown that participatory performance measurement is an effective performance evaluation system (Roberts, 2003). Besides that, employee involvement in measures formulation results fair and unbiased measurement (Islam and shuib 2005). For that, participatory performance measurement is likely to improve employee satisfaction. On the other hand, McCarthy (2000) stated that employees are given the opportunity to assess its performance independently results more comprehensive performance measurement. Therefore, self-assessment increases employee satisfaction. The Subjects of the experiment were undergraduate students who have taken management control systems course. The research hypothesis is empirically tested using laboratory experimental method with design posttest-only control group design. Using the Mann-Whitney U test, study results reported that satisfaction difference between two independent groups is significance because smaller than the specified level of alpha 0,05. Based on statistic result and descriptive analysis showed that employee prefer participatory performance measurement to self-assessment. Most reason for select participatory performance is external recognition give more satisfaction than internal recognition.

**Keywords:** Participatory performance measurement, Self-assessment, Employee satisfaction, External recognition

## 1. Introduction

Employees satisfaction is essential for management and employees in any organizational setting. When employees feel dissatisfied, employees tend to quit their job. As a result, turnover of employee in organization is high (Gregory, 2011; in Sagayarani, 2013). High workforce turnover is a serious threat to achieve its strategic objectives. Therefore, management should takes continuous effort to maintain high employees satisfaction levels because employees are considered the key of competitive advantage of organization and the most important asset.

The choice of performance measures used to assess employee performance is critical because it is likely to affect employees job satisfaction. Research of Babakus et.al (1996) successfully investigates that compensation is one of factors within organization that determine employees' satisfaction. As we know that many organization often linked employee compensation to their performance (Milkovich & Newman, 2004). As a result, employees satisfaction depends on performance measurement that's used by organization.

Performance measurement has two main objectives. First, measuring employee compensation based on the contribution of employee to the company's goals. Second, identifying the objectives has not been achieved and making correcting action to achieve it at a later (Islam and shuib, 2005). Therefore, the performance measurement system plays an important role in determining the fairness of compensation and employee satisfaction.

Roberts (2003) says that participatory performance measurement is an effective performance evaluation system. Islam dan Shuib (2005) states that employees involvement in formulating measures that used in performance evaluation increases fair and unbiased subordinate perception (Islam and shuib 2005) and acceptance of a result of evaluation of subordinate.

Furthermore, empirical research has also shown that self-assessment increases the perception of fairness of the process of performance evaluation. McCarthy (2000) stated that employees are given the opportunity to assess its performance independently will perceive that they were evaluated comprehensively. As a result, self-assessment makes employees more satisfied because subordinate perceived that all dimensions of performance has been included in the measurement form. Moreover, employees also perceived that its performance has been measured fairly.

Although both approaches improve the effectiveness of performance measurement, no studies examine which type of performance measurement preferred by employee satisfaction. Therefore, this paper seeks to in-depth investigate the reasons of employees for choosing type of performance measurement, so that policy makers or management considers the research findings, in an attempt to increase satisfaction of employees and to decrease level of employee turnover.

This paper will start by displaying the literature review which followed by the research methodology

undertaken to carry out the research objectives, and finally will introduce the reader to the findings followed by the recommended suggestions to improve the employee satisfaction.

## **2. Theoretical Overview**

### **2.1. Performance Measurement and Job Satisfaction**

Most often, organizations link goal achievement to employee compensation systems such as performance-related pay system. Furthermore, the types of performance measures are likely to affect their employees' job satisfaction because the evaluation results will affect their employees compensation. Also, previous research has shown that that performance-related pay is associated with job satisfaction (Bryson et al, 2012).

Employees job satisfaction can be defined as emotional response of employees to work condition. Locke defined job satisfaction as desirable emotional or pleasurable state in response to a person's experiences on work or job appraisals (Locke, 1976). Employees who report a low performance measurement quality also report lower levels of job satisfaction (Brown et al, 2010).

### **2.2. Participatory Performance Measurement**

Participatory performance measurement is a measurement in which important employees have direct input in the development of measures. Furthermore, participatory performance measurement provides the opportunity for employees to propose measures of performance impact on improving relations between employees and employer. In participatory performance measurement, employees assume that they are evaluated on dimensions that they consider as important so that they are likely to be satisfied with their job.

Jordan (1992) states participatory performance measurement reduces the tension between the evaluator and the employees (rater-ratee tension). Furthermore, employee participation in the measures process is positively related to the satisfaction with the performance measurement system, perceived fairness, and acceptance of such a practice (Cawley et al., 1998).

Also, the fact that management involves employees in the measures formulation process causes employees to have a positive attitude towards performance measurement. This way, the employee becomes committed to the goal of entity and satisfied to the result of performance measurement. Motivation of employees is given by the sense of involvement of employee in performance measurement

Lau and Tan (1998) says that participation of subordinates in goal-setting makes employees feel they have, makes them consider the objectives as fair and achievable. Also, the involvement of employees in performance measurement makes them consider the results as fair and makes employee feel satisfaction.

Somerick (1993) also suggest that management should held dialogue sessions between employees and management to design performance measures and how to aggregate the results of the evaluation. Islam and shuib (2005) stated that the employee's involvement in formulating measures result the perception of employees that they are evaluated equitably and not biased. Furthermore, this condition increases employee satisfaction.

### **2.3. Self-Assessment**

Self-assessment is a process of formative assessment during which employee reflects on and evaluates the quality of their work, judge the degree to which they reflect explicitly stated goals or criteria, identify strengths and weaknesses in their work, and revise accordingly (Andrade and Du, 2007).

Islam and shuib (2005) states that sometimes employees comment on existing performance measurement system is not effective because it has not accommodates hide dimension of subordinate performance. Therefore, the employees often hope to get opportunity to explain their performance and what dimensions should be corrected by their self.

Employees perceive that they are source of information so that they have better assessment in performance (information asymmetry) than management. Self-assessment is an effective performance measurement tool because accommodate all of the dimensions of performance of the subordinate. When employees perceived that performance measurement is perfect, subordinate (employees) will be satisfied because their performance is measured effectively and they will get fair compensation. Various studies have explained that the self-assessment (self-evaluation) increase employee satisfaction and fairness perceptions. Furthermore, defensive behavior of employees will decrease (Roberts, 1992).

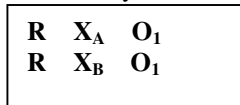
## **3. Research Objectives and Methodology**

### **3.1. Research Objectives and Paper Contribution**

In an attempt to increase satisfaction of employee, series of researches have to shed the light upon the troubles effect of performance measurement on employee satisfaction, so that such problems are to be cured. This paper is amongst the researches undertaken in increasing employee satisfaction.

### **3.2. Research Methodology**

In an attempt to reach the research aims, we using laboratory experimental method with design posttest-only control group design. In symbols, the design of this study as follows:



The between subjects is the type of performance measurement. In the participatory performance measurement group, experimenter informs to participant that measures in performance measurement are formulated by management and employee. In self-assessment group, experimenter informs to participant that employee should assess their work and judge the degree to which they reflect explicitly stated goals or criteria.

For assessment of job satisfaction, it was measured with five items taken from the Brayfield and Rothe (1951) measures of job satisfaction. These five items were "I feel fairly satisfied with my present job, "Most days I am enthusiastic about my work, "Each day at work seems like it will never end"(reverse scored),"I find real enjoyment in my work, "and "I consider my job to be rather unpleasant"(reverse scored). Responses to the Brayfield-Ro the items were evaluated on 1(strongly disagree) to 7(strongly agree) scale.

### 3.3. Research Participants

Participants are students from regular classes in Faculty of Economics and Business, University of 17 August 1945 Jakarta. Participants are students who have taken courses in Management Accounting and Management Control Systems (SPM). The student who completed SPM course is a good proxy for the ability of participants to evaluate performance.

The participants categorized into each cell randomly. Randomization is performed by put experiment instrument on table randomly, the participants required to enter the room and (welcome) to sit randomly. Randomization is useful to increase the internal validity of the study. Because random assignment is used, the design is called randomized experiment or true experiment.

The design of experiment use group control so it called a quasi-experimental design. The method that uses group control be a good method for assessing the cause-effect relationship that might exist between type of performance measurement and employee satisfaction.

### 3.4. Data Analysis

There are different ways to estimate the treatment effect for the posttest-only randomized experiment such as independent t-test, one-way Analysis of Variance (ANOVA), and regression analysis. These analyses required normally distributed samples.

Unfortunately, the data of samples do not normally distributed so statistical test to compare the two independent groups is Mann - Whitney U. Also, this test can be used for small samples of subjects. Besides that, this test also possibly when the measured variables are ordinal type and were recorded with an arbitrary scale (Nachar, 2008).

Mann - Whitney U tests to compare employee satisfaction levels based on type of performance measurement. p values are used here is 5% and calculated under the assumption of no effect. Furthermore, p=0.05 means a 5% chance of falsely concluding statement.

## 4. Research Findings

After the participants respond to the case presented, the participants required to answer the question of manipulation checks to test whether manipulation (treatment) given by the researcher are well received by the research subjects. Check manipulation questions consist of 3 questions, (a) Are you involved in measures formulation? (b) Do you assess your work by yourself? (c) Are you compensated based on results of performance measurement?

In condition "participatory performance measurement", the participants who answer yes to first question is assumed not understand a given manipulation (misinterpretation). Conversely, in condition "self-assessment", the participants who does answer yes to second question are assumed not understand a given manipulation (misinterpretation).

Total participants who categorized in participatory performance measurement condition are 20 students. However, 3 participants responded to the manipulation check questions incorrectly. Therefore, 3 participants were dropped.

On other hand, the participants categorized in condition "self-assessment" are 20 participants. However, 3 participants responded manipulation check question incorrectly. Therefore, 3 were dropped.

Furthermore, the data of samples do not normally distributed so statistical test to compare the two independent groups is Mann - Whitney U. Result in Table 1 shows conducting the non-parametric Kolmogorov-Smirnov test on the data of samples.

Table 1. Result of Kolmogorov-Smirnov statistic test

	Self_Assesment	Participatory_Performance
N	17	17
Average	3.2941	4.2471
Std. Deviation	.37495	.16627
Kolmogorov-Smirnov Z	1.363	1.066
Asymp. Sig. (2-tailed)	.047	.039

Interpretation of the results (output) shows satisfaction data of self-assessment group and Participatory Performance Group do not normally distributed because significance value are respectively 0.470 and 0.206 exceed 0,05. Furthermore, there is no reason for rejecting assumption (H0) based on normality of data at the significance level of 0.05. Therefore, the data do not normally distributed.

Table 2. Result of Mann - Whitney U test

	Satisfaction
Mann-Whitney U	.000
Wilcoxon W	153.000
Z	-5.037-
Asymp. Sig. (2-tailed)	.000
Exact Sig. [2*(1-tailed Sig.)]	.000 <sup>a</sup>

Table 2 presents data on the calculated z-values and the approximately calculated statistical significance of differences between self-assessment group and participatory performance measurement group. In table 2, the z-value was -5.037. The amount of its probability is less than 0.05. The same was shown by the approximately calculated statistical significance of differences (p=000). The research results, therefore, showed statistically significant differences in the job satisfaction of employee according to the type of measurement that's used to evaluate them.

The first reason for choosing participatory performance is they know how their performance measured. Employee will be more satisfied if they know measures and how measures are aggregated. Islam and Shuib (2005) stated that employee involvement in formulating measures that used in performance evaluation increases fair and unbiased subordinate perception. Besides that, involvement of employee in measures formulation increases the acceptance of a result of evaluation of subordinate.

Another reason for choosing participatory measurement performance is external recognition. Employee will be more satisfied if they get external recognition because employee perceives that external recognition is better than internal recognition. Besides that, external recognition is more independent than internal recognition.

As literature stated that recognition for employee are effective elements of hiring and retaining agency talent. Besides that, external recognition is given by others affirming employees who are showing pride in their work.

## 5. Recommendations

Based on research findings, management should uses participatory performance measurement to evaluate and compensate employee performance. The first reason is employee will be more satisfied if they know measures and how measures are aggregated. Besides that, employee involvement in formulating increases fair and unbiased subordinate perception and increases the acceptance of a result of evaluation of subordinate.

The second reason is participatory measurement performance results external recognition. Employee will be more satisfied if they get score from external because employee perceive that external score is better than internal score. Furthermore, external recognition is more independent than internal recognition.

Recommendation in future research is greater sample size. This research only investigated 40 respondents, next research should increases sample size and uses matching method or covariance analysis to increase confidence in causal relationship. Besides that, forthcoming research should be conducted beyond Jakarta.

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