Performance Appraisal with Management By Objective

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Abstract

This study aims to analyze the performance appraisal and follow-up plan of the results of the performance appraisal. This research was conducted in Bandar Lampung, with the object of research on Sigerhub Lampung. This research is a case study research with a qualitative approach. Data collection techniques with structured interviews, observations, and documentation. Technical data analysis using interactive model data analysis developed by Miles & Huberman. The results showed that Sigerhub conducted performance assessments for both permanent employees, freelance employees and interns. Performance appraisals are carried out on a weekly and monthly basis, by the immediate supervisor combined with 360 Degree Feedback. Performance appraisal using the Management By Objective method. The follow-up plan of the results of the performance assessment is carried out by providing promotions and or rewards, reprimands both verbally and in writing both to permanent employees, freelance employees and interns.

Keywords:
360 Degree Feedback; performance appraisal

Introduction

Siger Innovation Hub or better known as Sigerhub is the first cooperative-based incubator institution in Indonesia, which incubates startups, cooperatives, and MSMEs. Since November 2019, Sigerhub has incubated 25 tenants using the cooperative concept whose purpose is of course to help the development of micro-enterprises and startups. Through this incubation, hundreds of young entrepreneurs have been helped in developing their businesses.

The incubation process carried out by Sigerhub is carried out in a span of 6 months for each batch, with a curriculum that has been prepared. Tenants selected in the current batch period receive free training, mentoring, mentoring, and consultation. Ikhwan Ferdian (CEO of Sigerhub) said that there are special teams that accompany selected tenants in each batch
of the incubation process. After a 6-month mentoring process, there is a *pitching* process offered by Sigerhub.

When the incubation process of each batch is completed, the teams accompanying the tenants will be evaluated for their performance. Ahmad Farhan Lubis (*Chief Operating Officer of Sigerhub*) explained that so far the accompanying team has been evaluated every time one *project* is completed. However, the evaluation is carried out only to assess the team’s performance. Evaluation of the individuals in the team has also not been carried out. Success is considered to be limited to the success of the completed project. Even until this study was carried out, there was no follow-up plan to the results of the team’s performance evaluation based on the performance appraisal that had been carried out before.

Employee performance has a lot to do with the performance of the company. Because, one way to see the development of a company is to look at the performance of employees in the company (Gaol, 2014). Performance achievement is the focus of various companies today, both individual performance, process performance and result performance. Levison in (Gaol, 2014), explains that assessing achievement from employee performance is central to effective management.

Saridawati (2018) also explained that one of the potential factors in providing the company’s competitive advantage is the human resources factor and one of its activities is the performance assessment of employees. Human resources are an important part of a company’s work activity, because it is directly related to the problem of work quality and performance achievement. In addition, employee performance is also a motivation for employees to excel more (Aprilia & Damayanti, 2021).

This research is important considering that employees as *human capital* are the drivers or human capital in each company (Aprilia et al., 2020), where employee performance will also determine the company’s performance. In addition, there are still many studies that have not carried out performance appraisals and follow-up plans carried out simultaneously. Most studies only conduct employee performance appraisals, both individual performance appraisals and team performance appraisals. This research has a specific purpose, which is to analyze the performance appraisal and make a follow-up plan from the results of the performance appraisal.
Methods

This research is a case study research with a qualitative approach (Moleong, 2013), which aims to describe thoroughly related to performance appraisal and follow-up plans for individual employee performance. Data collection used participatory observation, in-depth interviews, and documentation. Data analysis using an interactive model developed by Miles & Huberman (Miles & Huberman, 2009), with data validity tests using triangulation techniques.

Results and Discussion

Siger Innovation hub or Sigerhub is an incubator institution for startups, cooperatives, and MSMEs that functions as a forum for business development with the concept of collaboration. Sigerhub was established in 2019. Currently, there are 74 tenants who have joined Sigerhub out of nearly 200 tenants who have registered. With the team that has been formed, Sigerhub has a vision of creating and developing up to 1000 new entrepreneurs in every province on the island of Sumatra. The incubation process of Tenant Sigerhub lasts for 6 to 12 months with the best mentors in their fields and provides guidance within a period of 2 years. The main objective of Sigerhub is to guide and develop tenants in a sustainable manner and provide funds and investment facilities both from cooperatives and other sources.

Sigerhub is currently in the form of a Limited Liability Company (PT) under the name PT. LOKAL PUNYA KARYA, No AHU-0005115. AH.01.01 of 2021. Sigerhub, which carries the slogan "Innovate-Collaborate-Grow", facilitates tenants with a Talent Hub in the form of:

1. Talent Hunting,
2. Talent Scouting,
3. Talent Building,

In addition, Sigerhub also incubates tenants with Basic Classes in the form of:

1. early stage class material by all mentors,
2. door to door mentor is a direct consultation with the mentor,
3. advanced class materials as needed (advance class),
4. compile and practice preparatory pitching to investors
5. process of legality of the business,
6. additional materials as needed by the guest mentor (talk show),
7. pitching to investors (funding) for tenants who meet the requirements.

After undergoing the incubation process, tenants will be taken to the Funding and Market Access stage which includes:

1. To Pitching,
2. Demo Day,
3. Investor Pitch,
4. Business Fairs, and
5. Export.

Sigerhub also facilitates tenants by presenting mentors who come from various business backgrounds with qualified experience, which will help tenants in broadening their business horizons. To date, Sigerhub has received and incubated:

1. 5 tenants from 20 registrants in Batch 1,
2. 25 tenants from 50 registrants in Batch 2, and
3. 44 tenants from 119 registrants in Batch 3.

The achievements that Sigerhub has obtained include:

1. to be one of the 5 selected Lpdbkumkm Incubator Partners in 2020 representing Sumatra with the best incubator performance ranking of 1 LPDB-KUMKM partner;
2. One of the 8 selected Incubator Partners lpdb-kumkm in 2021 representing Sumatra from 63 incubator registrants throughout Indonesia; and
3. The 2 best tenants of Sigerhub in 2020 received financing from LPDB-KUMKM partner cooperatives worth IDR 250 million each.

Sigerhub is located at KOMA SPACE, Jl. Purnawirawan Raya No.56, Gedong Meneng, Rajabasa District, Bandar Lampung City, Lampung 35145.
Performance Appraisal

Performance appraisal becomes a very important element for an organization or company. With the performance appraisal, management will know the extent of the performance and productivity of employees given to the company. In addition, performance appraisal is also a means of evaluation for the company. Not only an evaluation of employee performance but also an evaluation of the company’s performance. Performance appraisals are widely used to manage wages and salaries, provide performance feedback, and identify the strengths and weaknesses of individual employees.

(Gaol, 2014) outlines that performance appraisal is setting work standards, assessing performance, and providing feedback to employees to motivate, correct, and continue their performance. Performance appraisal means that there is a process carried out relating to evaluating the performance of an employee in the present and or in the past relative to his performance standards.

There are several reasons, why performance appraisals are important to do (Dessler, 2017), namely:

1. Salary payment, promotion, and retention decisions.
2. Central performance management, to ensure employee performance according to company goals.
3. Deficiency corrector.
4. Career planning of employees.
5. Identify training needs.

The results of observations and interviews show that Sigerhub conducts a performance assessment of the work team at Sigerhub, both the core team and the team in the Sigerhub business line. Ada four people who are members of the Sigerhub Team. These four people became the core team at Sigerhub, who was the Chief Manager at Sigerhub. The explanation is as follows:

The duties and job descriptions of the Sigerhub Team are described as follows:

1. Chief Executive Officer

The Chief Executive Officer is responsible for making major decisions for the sustainability of the company. In addition, the role of Chief Executive Officer includes several things
such as, designing and communicating the company’s vision, recruiting team members, and building relationships with investors.

2. **Chief Marketing Officer**

The **Chief Marketing Officer** is responsible for marketing or marketing matters, including market research and public relations strategies to maintain the company’s image in the eyes of the public. In general, the scope of work of the **Chief Marketing Officer** includes developing marketing strategies, carrying out market research and maintaining the company’s image.

3. **Chief Operating Officer**

The **Chief Operating Officer** is responsible for everything related to the company’s operations, such as creating an initial business model, compiling the first *pitch deck*, describing the job descriptions of all employees, and as a liaison between employees and the **Chief Executive Officer**.

4. **Chief Partnership Officer**

The **Chief Partnership Officer** is responsible for building strong relationships, be it with mentor, *tenant* and outside companies or agencies. The **Chief Partnership Officer** is also in charge of analyzing potential partners who will join the company.

The core team and the team in the line of business are the managers of the incubator. In Sigerhub there are two business lines, namely:

1. **Siger Creative Business Line**
2. **Lampung Talent Business Line**

In each line of business, it consists of *project leaders, freelancers*, and also interns. Interns are students who carry out internship programs from universities. Interns carry out an apprenticeship program for six months. This internship program is a government program that is included in the Merdeka Belajar Kampus Merdeka (MBKM) activity.

Apart from freelancers and interns, the number of managers at Sigerhub is eight people. Four people are this team, two people in the **Siger Creative** business line and two people in the **Lampung Talent** business line. Freelancers and interns also do not escape performance appraisals. Although freelancers and interns are not permanent employees at Sigerhub, performance appraisals are still carried out given that performance appraisals are very
important to know how much potential they have in getting work done. Performance appraisals at Sigerhub are also carried out to take steps to improve if there are things that deviate from the work.

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From Gaol’s opinion above, Sigerhub has carried out a series of activities that become the process of evaluating the performance of employees, both permanent employees, as well as freelancers and interns.

360 Degree Feedback

Furthermore, who can I do a performance appraisal? According to (Dessler, 2017) who can conduct performance appraisals, namely:

1. Immediate superior.
3. Assessment committee.
4. Own judgment.
5. Subordinate.
6. 360 Degree Feedback.

The results of the interview and company documentation explained that those who conducted performance appraisals at Sigerhub were direct supervisors and combined with 360 Degree Feedback. This is in accordance with Dessler's explanation in his theory, that performance appraisals can be carried out, among others, by direct superiors, peers, subordinates, assessment commissions, oneself, and 360 Degree Feedback.

In the practice of performance appraisal using the 360 Degree Feedback method, Sigerhub conducts performance assessments of permanent, freelance and intern employees in a way that the entire core team in this case Sigerhub team management discusses with each person’s point of view regarding the value provided. Whether or not the value that Sigerhub
management gives to the performance that employees give to the company, the arguments and opinions of everything are carried out very openly. This is in accordance with the theory according to Dessler. In his book, Dessler explains that using the 360 Degree Feedback method employers collect a variety of performance information from the surrounding environment around the assessed employee, ranging from supervisors, subordinates, peers, and internal customers as well as external customers. The scoring system is to have the appraiser complete an assessment survey for the assessed employee. The various results of this assessment are then collected and will be feedback to subsequently be used as an individual report of the results of the performance appraisal for the assessed employees. Some companies conduct this assessment online, but at Sigerhub, the assessment is carried out directly by distributing assessment forms to the appraiser to assess the performance of the assessed employee.

Performance appraisal using the 360 Degree Feedback method is a method that is considered more objective because it involves various points of view in the process and results of the assessment. In addition, by using the 360 Degree Feedback method, employees will become aware of other people’s assessment of themselves, including other people’s expectations of themselves related to improving performance in the future (Kopsidas, 2021).

Performance Appraisal Process

Furthermore, (Dessler, 2017) outlines the process or steps in conducting a performance appraisal, including:

1. Setting work standards.
2. Assess the actual performance of employees relative to the standard (involving an assessment form).
3. Provide feedback to employees with the aim of helping them eliminate performance deficiencies or continue to perform above standards.

From the description of the process or steps in conducting a performance appraisal, Sigerhub carries out this process, among others, it can be explained as follows:

1. Performance appraisals at Sigerhub are conducted on a weekly and monthly basis.
2. For weekly performance appraisals are carried out every Thursday.
3. In this performance appraisal, permanent employees, freelancers, and interns are required to make weekly reports and monthly reports. In the report, the progress of the Objective
Key Result (OKR) is reported.

4. This OKR was reported to sigerhub’s core team.

5. Reporting is carried out by presenting the progress of the project that has been worked on.

6. After the full-time employees, freelancers, and interns present the progress of the project they have done, then the core team of Sigerhub will provide feedback. This feedback is given so that permanent employees, freelancers, and interns, can correct shortcomings.

7. The feedback provided is in the form of input on the development of OKR that has been worked on.

8. Furthermore, if there is a problem in the project that is being worked on by permanent employees, freelancers, and interns, the team will solve it together and find a solution to the problem. Thus, the OKR that has been created can become an OKR that complies with Sigerhub standards.

9. Performance appraisals carried out weekly and monthly become a monitoring process in assessing the performance of permanent employees, freelancers, and interns.

Apart from the above process, there are steps or performance appraisal processes that freelancers and interns specifically have to follow. These processes include:

1. Joint reports and discussions between freelancers and interns. This activity is carried out to find out whether there are problems and or obstacles that occur in other projects. This Joint Discussion is expected to solve the problem and find a solution.

2. Report the results of work to the Person In Charge (PIC). This activity is carried out when in the project being carried out there are problems that cannot be solved even though they have discussed with other teams.

3. Create a Power Point. This Power Point will be used to present the results of work to the entire core team or superiors in Sigerhub. The points that should be present in this report include:
   a. Completed Objective Key Result (OKR).
   b. Problems during running OKR.
   c. The workaround was done when getting the problem When running OKR.
   d. What’s next, what will be done in the future.
b. Presenting the results of work. The presentation was made to explain orally to the core team of Sigerhub what obstacles were faced and solutions to solve the problems or obstacles faced.

c. Get feedback from all of Sigerhub’s core teams. Feedback in the form of input, and evaluation is carried out by the Core Sigerhub team to get the best solution for problem solving.

**Management by Objectives (MBO)**

Performance appraisal using the Management by Objectives (MBO) method can be interpreted where the assessment is the result of a determination between employees and supervisors who jointly set the goals of individual employee work implementation in the future. These goals are objective goals that are measurable and mutually agreed upon between employees and supervisors. At the end of a certain period, employees will be evaluated on how well they achieved certain goals that have been set and what important factors have been experienced in completing their work. This Management by Objectives (MBO) method approach refers more to the results approach. The Management by Objectives (MBO) method is a program in which supervisors involve employees in decision making to determine the goals to be achieved. This assessment technique is similar to assessing on a curve, the percentage of employees to be assessed that has been predetermined is placed in various performance categories (Sahridlo et al., 2020) (Harahap & Perdana, 2021) (Dessler, 2017). Management by Objectives (MBO) is an organized and systematic approach that allows management to focus more on work goals and achieving the best possible performance results from available resources. Management by Objectives (MBO) also aims to improve organizational performance by formulating organizational goals and work goals of employees who are in it (Islami et al., 2018) (Sahridlo et al., 2020).

In assessing the performance of permanent employees, freelancers, and interns, Sigerhub uses methods such as those in theory according to Dessler, namely: The Management by Objectives (MBO) Method. By conducting an assessment using the Management by Objectives (MBO) method, the assessment can be carried out simply or intricately depending on the needs of the targets to be achieved. Superiors and subordinates will both evaluate possible failures and then decide on new possible goals for those goals that have not been achieved.
before. MBO refers to the setting of goals and assessment programs of various measures that cover the entirety of the company. *Management by Objectives* (MBO) also requires managers to set specific organizational goals that are relevant and measurable by each employee. Furthermore, periodic assessments will be carried out to discuss the progress that employees have achieved in achieving the goals that have been set (Goswami et al., 2013).

The following is the process carried out by Sigerhub in assessing the performance of permanent, freelance and internship employees using the *Management by Objectives* (MBO) method:

1. *Planing Objective Key Result* (OKR) and the respective duties of permanent, freelance and intern employees.
2. Delivery of *Objective Key Result* (OKR) and tasks to permanent employees, freelance employees, and interns.
3. Monitoring *objective key results* (OKRs) and tasks to what extent have been implemented. Monitoring is carried out with a weekly and monthly report process.
4. Final review or assessment of *objective key results* (OKRs) and tasks.

The establishment of the Planning Objective Key Result (OKR) relates to the guidelines that must be made in the performance assessment. In *Management by Objectives* (MBO), companies directly involve employees in determining these guidelines. In practice, Sigerhub together with permanent employees, freelance employees, and interns determine the goals in the *Objective Key Result* (OKR).

In conducting performance appraisals, guidelines are needed. This guideline is necessary because there are difficulties for (Dessler, 2017):

1. Establish assessment benchmarks for various positions.
2. What elements are assessed.
3. Difficulty in determining the factors that determine whether a person is capable of completing a job.

Guidelines in carrying out performance appraisals (Dessler, 2017) include:

1. Focus on Assessment.
2. Using the right assessment method.
4. Make a deal on a plan.
5. Be a fair & effective supervisor.

The basis of the assessment is the job description of each individual employee because it is in this job description that the duties and responsibilities that will be performed by each employee are assigned. Job assessment in the form of good / bad results of employee work, completed / not a job, effective / not in completing work. The benchmarks used to measure employee work performance are standards that have been set by the company. Although guidelines, foundations, and standards have been created and implemented, there are still problems in conducting performance appraisals (Dessler, 2017), namely:

1. Unclear standards.
2. Halo effect.
3. Central Tendencies.
4. Too Stiff/Loose.
5. Bias.

Performance appraisal standards should have been made open. Transparency or openness would be very much better if done in the first place. The formulation of assessment indicators, assessed factors, and work standards, is also carried out before the performance assessment is carried out. Thus, management and employees need to communicate in discussing and agreeing on assessment aspects in employee performance appraisal. (Aguinis, H., Joo & Gottfredson, 2013) describes that the characteristic of a good performance appraisal instrument to use is that its assessment component is communicated to employees in order to be supported and understandable by employees.

Therefore, the employee’s achievement index must be well established, honestly, objectively, and in accordance with the existing reality. However, due to assessment constraints, it often does not match the existing reality. Employee assessment standards can be described as follows (Dessler, 2017):

Assessment Standards:

1. **Tangible Standard**
   a. Standards in physical form: standards of quality, quantity and time.
   b. Standards in the form of money: standards of costs, earnings, investments
2. **Intangible Standard**

Are standards of behavior, loyalty, participation, dedication, such as:

a. Work achievements  
b. Work  
c. Morale  
d. Work productivity  
e. Productivity per Capita

In performance appraisal, the elements assessed in performance appraisal include (Dessler, 2017):

1. Loyalty or loyalty to the company.  
2. Employee Work Performance.  
3. Honesty in work.  
4. Employee discipline.  
5. Creativity in work.  
6. Cooperation within the work team.  
7. Leadership  
8. The personality of the employee.  
9. Employee initiatives.  
10. Proficiency in work.  
11. Responsibility in work.

So, the points that become assessments at Sigerhub to permanent employees, **freelance and interns**, include:

1. **Leadership**. In this case, permanent employees, **freelance and interns** are required to be able to become leaders in their team or become leaders for themselves.

2. **Teamwork**. Not only working independently, permanent employees, **freelance and interns** have the responsibility of working together with the team or assisting other teams in completing OKRs or assigned tasks.

3. **Communication**. Communication is important to form strengths, not only communication with colleagues, but also communication with superiors or PIC is also very important. By communicating can solve problems that cannot be solved on their own.
4. **Objective Key Result (OKR)** has been determined from the beginning or there is already a target that must be permanent employees, *freelance* and *interns* to work and complete during the predetermined period.

5. **Project Management.** Initiative from oneself or the team to organize projects from planning to evaluation.

6. Employee work motivation is also one of the factors that can affect the performance of permanent employees, *freelance* and *interns*. Siger hub provides work motivation for permanent employees, *freelance* and interns by appreciating their work by giving a gift and a title or nickname such as *best intern, favorite intern*, and *best team*. The effort is made to provide encouragement to permanent employees, *freelance* and interns to stay motivated and enthusiastic in doing OKRs or tasks that have been given.

**Follow-up Plan**

The performance appraisal follow-up plan is a step taken by management to review the results of the performance appraisal. A follow-up plan can be an interview with an employee, for which the supervisor and subordinates review the assessment and make a plan to correct the shortcomings and strengthen their advantages (Dessler, 2017).

Sigerhub conducts a follow-up plan to assess performance results for both permanent, *freelance* and interns. The follow-up plan carried out by Sigerhub is in accordance with that in Dessler’s theory, namely:

1. The performance results are satisfactory, the employee will be promoted.
2. The performance results are unsatisfactory, the employee is not promoted.
3. The performance result is unsatisfactory, the performance of employees is corrected.
4. The performance result is unsatisfactory, the performance of employees is not improved.

The promotion provided by Sigerhub in this case is given an opportunity in terms of self-development, such as by attending training in accordance with the interests and talents of permanent employees, *freelance* and interns. Not only that, promotion is also given in another form in the form of an award by giving a prize and a title or nickname such as *best intern, favorite intern*, and *best team*.

As for permanent employees, *freelancers* and interns with unsatisfactory performance
assessments, Sigerhub gave a reprimand both verbally and in writing. After being given a reprimand, permanent employees, freelance and interns will also explored what problems are faced during work so that the performance assessment becomes unsatisfactory.

Conclusion

Sigerhub conducts performance assessments for both permanent employees, freelance employees and interns. Performance appraisals are carried out on a weekly and monthly basis, by the immediate supervisor combined with 360 Degree Feedback. Performance appraisal using the Management By Objective method. The follow-up plan of the results of the performance assessment is carried out by providing promotions and or rewards, reprimands both verbally and in writing both to permanent employees, freelance employees and interns. Furthermore, performance assessments can be carried out using more complex methods and follow-up plans that can be carried out more personally both on achievements and punishments both for permanent employees, freelance and interns.

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