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Implementation of Performance Appraisal System Based on Objectives and Key Results (OKR) at PT. Bintang Terang Sejati

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Abstract

Evaluating performance is essential for determine the level of success and accomplishments possible for each employee. Implementing Objectives and Key Results (OKR) is essential for enhancing efficiency and achieving desired outcomes. This study aims to evaluate the impact of an OKR-based performance appraisal system with a rating scale method, using data from interviews, observations, and documentation. The findings support initiatives to boost productivity, motivation, and goal attainment, indicating positive transformations within the company, including a heightened focus on meeting deadlines and clearer, measurable key results for teams, resulting in greater punctuality and a more precise understanding of achievement levels.

Keywords:

Performance Appraisal, Rating Scale, Objectives and Key Results

Introduction

Human resource management is a branch of management that specializes in organizing the roles and contributions of human resources in the operations of a company. The primary focus of human resource management is to manage and nurture employees as one of the valuable assets of the company (Setiobudi, 2017). The implementation of an employee performance assessment system is a crucial step for companies or organizations to evaluate their progress (Sukamto et al., 2021). Performance appraisal has been extensively researched by scholars and practitioners in the field of human resource management (Bayo-Moriones et al., 2020). An effective performance appraisal reflects the actual performance of employees

from various perspectives, just as the employees are being evaluated (Al-Jedaia & Mehrez, 2020).

Since its establishment in 2001, PT. Bintang Terang Sejati, as a wooden packaging manufacturer, particularly in pallets and wooden boxes, has not conducted performance assessments for its employees. The lack of a performance evaluation system can diminish employee morale and result in low loyalty to the company. The company typically establishes a fixed salary or wage scale for each position or job level based on the employee's experience or tenure. Therefore, PT. Bintang Terang Sejati requires the implementation of a performance appraisal system as a benchmark for assessments, aiming to ensure high employee performance and the achievement of the company's targets.

Performance assessment is necessary to determine the extent of performance and achievements that each employee can attain (Kadafi & Effendy, 2020). If employees feel that performance evaluations leading to role definitions can clarify their roles, they may seek feedback on their performance to better understand and well-defined job requirements (Iqbal et al., 2019). With the availability of a performance assessment system, it is hoped that it can assist PT. Bintang Terang Sejati in evaluating employee performance.

Establishing the right Objectives and Key Results (OKR) for a company is crucial for enhancing effectiveness and achieving desired outcomes (Sultan, 2022). In designing a performance assessment system for PT. Bintang Terang Sejati, its scope should encompass several key elements. Firstly, it is necessary to detail the types of employees or departments to be evaluated within this system. This includes production workers, managers, sales teams, and other relevant departments. Furthermore, clear and relevant performance criteria need to be defined for each type of employee or department, such as productivity, compliance with policies, teamwork skills, and target achievement.

With performance assessment in place, a company can take appropriate actions such as issuing warnings, providing coaching, salary increases, promotions, and so forth. Through performance appraisal, the company can encourage and motivate employees to achieve better results, thereby enhancing the overall quality and productivity of the organization (Sukamto et al., 2021).

Literature Review

Employee performance appraisal is a method to measure the level of an individual's engagement within an organization and holds significant value in determining the extent to which individuals are involved in carrying out their responsibilities (Komalasari et al., 2020). Performance appraisal is also referred to as performance review, performance evaluation, career development discussion, or employee assessment. It is a method in which an employee's job performance is documented and evaluated (Ram & Manikeswari, 2018).

Evaluation is conducted by comparing an employee's work results with established job standards. Supervisors need to adopt various types of behaviors, ranging from planning and monitoring to supporting, developing, and empowering employees, thus facilitating the change process and encouraging employees' Innovative Work Behavior (IWB) (Curzi et al., 2019). A biased performance appraisal system within a manufacturing organization

can impact employees in various aspects, including job performance, motivation, and job satisfaction (Ismail et al., 2022). Therefore, employee satisfaction with performance appraisal is crucial to obtain maximum results from talented resources.

Performance appraisal has been extensively researched by scholars and practitioners in the field of human resource management (HRM). For various reasons, the selection of evaluators is crucial for organizational success because, for specific job categories, some supervisors are more suitable for evaluating performance than others (Bayo-Moriones et al., 2020). An effective performance appraisal reflects the actual performance of employees from various perspectives, just as the employees are being evaluated. Through literature on factors influencing performance appraisal, scholars and researchers have discussed these factors since the 1970s until the present (Al-Jedaia & Mehrez, 2020).

In the evaluation of organizational performance, several techniques have been developed over time, and one of the most renowned is Objectives and Key Results (OKRs). OKRs are ideally used in conjunction with a set of balanced Key Performance Indicators (KPIs). This is recommended because, while KPIs measure organizational performance achievements in specific aspects, OKRs focus on measuring organizational progress towards specific goals. OKRs can be used alongside other Key Performance Indicators (KPIs) to provide a comprehensive overview of an organization's performance (Sultan, 2022).

Research Methods

Qualitative research is a research method aimed at understanding phenomena through inductive thinking (Adlini et al., 2022). Effective data collection in the design of the employee performance appraisal system based on objectives and key results at PT. Bintang Terang Sejati plays a crucial role in ensuring that the system is effective, objective, and fair. The data collection techniques used in completing the report include observation, interviews, and documentation.

One of the most commonly used methods for collecting descriptive data is through observing individuals or groups of individuals (Siedlecki, 2020). This involves direct observation in the workplace or observing employees directly as they carry out their day-to-day tasks. It may involve direct supervisors or evaluators using checklists or guidelines to note behaviors, skills, or actions relevant to performance assessment. This can involve direct supervisors or evaluators who have checklists or guidelines to record behaviors, skills, or actions relevant to performance assessment.

Interviews are widely and confidently used to explore phenomena related to transitions, sometimes seemingly unaware of alternatives and limitations in interviews, as well as the lack of discussion about what real-time, ethnographically-based methods can offer for studying phenomena related to transitions (Murto et al., 2020). In the design of the employee performance appraisal system, data collection techniques through interviews are conducted diligently and structured. This method is implemented by selecting several respondents based on their roles in the company and the performance appraisal system. Interviews are conducted carefully and in a comfortable environment to listen to employees' views and thoughts about their work.

A substantial amount of information and data is stored in the form of documents and records (Murdiyanto, 2020). This technique involves extracting relevant documents and information directly from their sources, such as direct observation in the workplace. By employing this technique, researchers can ensure that the collected data originates from valid and actual sources.

Results and Discussion

The results of the internship data analysis are then applied to a performance assessment form based on Objectives and Key Results (OKR). This approach was chosen with the goal of being not only easy to understand but also easy to implement by PT. Bintang Terang Sejati. The designed performance assessment form should include essential information that enables assessors to objectively evaluate individual or team performance. In this form, performance assessment is conducted based on a set of predetermined criteria. Each criterion should have a clear description and metrics used to assess performance. The designed performance assessment form should be detailed, objective, and enable assessors to provide assessments that align with individual or team performance.

The process conducted at PT. Bintang Terang Sejati lasted for 4 months, starting from interviewing the company representatives, followed by direct observation at the location, obtaining approval from the company, and concluding with the creation of a performance assessment form based on OKRs. The author also explained to the company the process and benefits that can be obtained from implementing performance assessment. The implementation of employee performance assessment in the company involves several crucial steps to assist the organization in understanding and improving employee performance.

It started with conducting a survey of the location and interviewing the company representatives. In this process, the author identified the company's need for performance assessment. After that, the goals were identified, OKRs were set to evaluate employee performance, and the assessment instrument was planned, which involved developing a performance assessment form covering predefined criteria. The initial step involves identifying performance indicators relevant to the company's goals and employee tasks. The design process also includes assigning weights to each indicator to determine their relative contribution to the overall assessment. Additionally, clear and objective assessment criteria are required to ensure consistency and fairness in the evaluation.

Creating an assessment form that includes relevant questions or criteria according to the company's needs and is user-friendly for both evaluators and employees. In this process, the identification of parties involved in the assessment process is also carried out, namely the operational managers. The form is filled out by the evaluator with an objective assessment to measure an individual's achievement performance. The evaluation results can then be used for providing feedback, employee development, incentive determination, or making further decisions in human resource management within the company.

Table 1. Performance Evaluation Form

Employee's name	:
Position	:
Assessment Date	:
Next Assessment Date	:

No	Main Objectives (OKR)	Key Results (KR)	Score (1-5)
1	Creating Stable Revenue	Maximum OPEX ratio of 20% of monthly revenue for 3 consecutive months Minimum daily transactions of 100 transactions for 90 consecutive days	
2	Competence Enhancement	Employee's efforts to improve personal skills and knowledge Ability to identify problems and find effective solutions Improving the ability to achieve company targets Enhancing efficiency in task completion	
3	Enhancing Communication Skills	Communication skills with colleagues, supervisors, and team Ability to take initiative and responsibility for tasks and projects	
4	Enhancing Contribution in Team Projects	Achieving all team project targets Increasing participation in team project discussions	
5	Improvement in Productivity and Efficiency	Increasing the number of completed tasks by 10% per week Reducing the Number of Errors or Defects in Work	

- Notes
- 1: Not achieving the target at all
 - 2: Not meeting the target adequately
 - 3: Meeting a significant portion of the targets
 - 4: Meeting the target successfully
 - 5: Achieving the Target Exceptionally Well

Total Score. :

Conclusion. :

This employee will :

- [] Stay in their current position
- [] Be eligible for promotion
- [] Require performance improvement

Evaluator's Signature:

Employee's Signature:

After the implementation of performance assessment based on Objectives and Key Results (OKR) for employees, the company experienced several changes and improvements in various aspects. The conditions of the company after the implementation of OKR-based performance assessment include an improvement in meeting deadlines due to the designed outputs, enhanced awareness of employee performance strengths and weaknesses through a measurable system, the establishment of fixed standards as a benchmark for decisions regarding salary increases, performance measurements, employee promotions, and identification of improvements. With the application of OKRs, employees and teams can have clear and measurable key results, leading to improved goal achievement and a more accurate depiction of goal attainment. The establishment of fixed standards continues to serve as a benchmark for decisions related to salary increases, performance measurements, employee promotions, and identification of improvements.

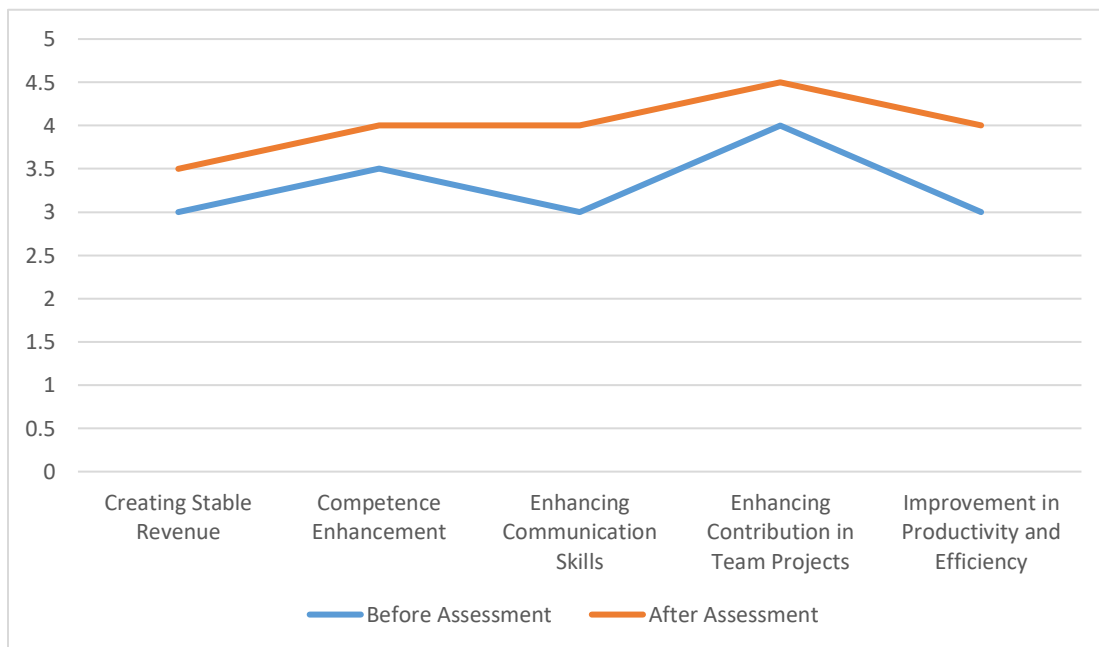


Figure 1. Employee Assessment Chart

Conclusions

The implementation of the Objectives and Key Results (OKR) based performance assessment system at PT. Bintang Terang Sejati has brought about substantial changes in how the company manages employee performance and directs their efforts towards achieving corporate goals. With the implementation of OKRs, the company has undergone significant positive changes. There has been an increase in emphasis on meeting deadlines, resulting in

the company being more punctual in achieving its business goals. Employees and teams have clear and measurable key results, leading to improved goal achievement and providing a more accurate insight into the extent of goal attainment. Fixed and measurable standards have become benchmarks in various aspects, including salary increases, performance measurements, employee promotions, and identifying necessary improvements. Moreover, the company can conduct a more in-depth evaluation of employee performance using a measurable system, enabling them to identify strengths and weaknesses in detail. Overall, the implementation of OKRs has brought positive changes to the culture and performance of the organization. As a contribution to the human resource management literature, this research is expected to provide new insights into the effectiveness of performance appraisal methods.

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