Performance Appraisal Espousing the Philosophy of Dutch Auction: Developing and Proposing a Conceptual Model

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Abstract: A Dutch auction is an auction in which an item is initially offered at a high price that is progressively lowered until a bid is made and the item sold [1]. Performance appraisal systems are implemented in organization in many different ways and techniques, every organization have them tailor made and modified according to their work flow. In this paper an appraisal model will be suggested and its modalities will be discussed keeping in view the philosophy of Dutch auction in appraising the performance of employees of an organization.

Key words: Performance appraisal (PA) · Dutch auction (DA) · Developing and proposing a conceptual model

INTRODUCTION

A Dutch auction is a public offering auction structure in which the price of the offering is set after taking in all bids and determining the highest price at which the total offering can be sold. In this type of auction, investors place a bid for the amount they are willing to buy in terms of quantity and price [2].

Robbins [3], Performance appraisals (PA) serve a number of purposes in organizations. First, management uses appraisals for general personnel decisions such as promotions, rewards, transfers and terminations. Second, appraisals identify training and development needs, not only for individual employees, but also the organization as a whole. Third, performance appraisals can be used to validate selection and development programs. Fourth, appraisals provide feedback to the employees on how the organization views their performance.

Performance appraisals are management tools that may be used to direct and control employee behavior, distribute organizational rewards, improve employee work performance, or develop employee capabilities [4]. Workplace aberrance, not catering for the effective satisfaction of employees can harm an organization in longer run [5].

In Dutch auction (DA), auctioneer asks a high price at the beginning (highest price set by seller) then the price is lowered until some buyer is willing to accept the auctioneer's price, or the seller's minimum acceptable price is reached. Efficacious PA of an organization help in retaining loyal and satisfied internal customers (employees) and its implementation in right perspective attains long term strategies set by the organization. Organizations those are fair in their PA retain the happy internal customers (employees) thus reducing the turnover and frequent hiring and firing, this helps an organization to be more focused on its short and long term gains. Human resource is the most important ingredients in any organization and the main source of competitive advantage for generating of fundamental capabilities in any organization. Human resource planning is one of the main organizational planning [6].

Performance appraisal is a system through which individual employee performance and productiveness is assessed according to pre-designated criterions and goals of an organization. Muchinsky [7] was of the view that, to collect PA data, there are three main methods: objective production, personnel and judgmental evaluation. Judgmental evaluations are the most commonly used with a large variety of evaluation methods and performance management systems are employed “to manage and align" all of an organization's resources in order to achieve highest possible performance.

Through PA we improve the employee performance, helps in promotions to next appointments, those who don’t perform well are terminated through this process and ultimately the PA which is implemented is tested and validated through this cycle. To every merit there is...
de-merit and the PA implemented by the organization are liable to some demerits also. For example, PA may help in breaking a communication barrier between employee and management; but can result in legal problems if the PA is not executed in the right direction and perspective; and generally employees’ working in an organization tends to be unsatisfied with PA.

**Statement of the Problem:** Performance appraisal is a very important facet of an organization, through this important aspect organizations keep the track of employee’s performance and monitor their individual and collective goals through which an organization gain their financial objectives. PA if, done realistically and in a nonpartisan fashion will achieve desired dividends.

Keeping the above premise in view, the researcher plans to develop an appraisal system and propose a conceptual model for performance appraisal espousing the philosophy of Dutch auction.

**Value and Originality of the Study:** The research area of performance appraisal has been discussed at lengths in management sciences and many ways of performance appraisal have been identified and are in practice. In this study researcher is going to recommend another way forward for doing the performance appraisal keeping focus on the philosophy of Dutch auction. The present research area if accepted will coin another mile stone in assessing the performance of employees and will make a contribution to the body of knowledge.

**Applicative Facets:** Unbiased appraisal should be a prime responsibility of the appraiser and to have satisfied employees working for the organization. Whatever the system is implemented to gauge the performance they should be meant for developing the trust of employees in the system and for employee satisfaction. The study has various applicative facets. If found correct in perspective can be implemented in corporate organizations to have more number of satisfied and loyal employees.

**Objectives of the Study:** To develop a conceptual framework and model for performance appraisal through the philosophy of Dutch auction.

**Literature Review:** The researcher has taken into account the previous studies conducted and has tried to establish a path way to forward the frontier of knowledge. The researcher has reviewed some aspects relating to performance appraisal and found their merits and demerits.

<table>
<thead>
<tr>
<th>Author</th>
<th>Year</th>
<th>Findings and Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stephan and Dorfman</td>
<td>1989</td>
<td>Effective performance appraisal helps employee to improve his performance accurately thereby establishing the relationship between task and potential for reward.</td>
</tr>
<tr>
<td>Dobbins, Cardy and Platz-Vieno</td>
<td>1990</td>
<td>There are five things in performance appraisal: Feedback to improve performance, Reduced employee turnover, Increased motivation, Existence of feelings of equity among employees, Linkage between performance and rewards.</td>
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<tr>
<td>Brown and Benson</td>
<td>2003</td>
<td>Performance appraisal helps employee to be more committed and improve productivity.</td>
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<tr>
<td>Brown and Heywood</td>
<td>2005</td>
<td>Performance appraisal is tool in the hands of management to monitor the work performance and to improve the performance of employees.</td>
</tr>
<tr>
<td>Teseema &amp; Soeters</td>
<td>2006</td>
<td>According to these authors there are eight practices include recruitment and selection practices, placement practices, training practices, compensation practices, employee performance evaluation practices, promotion practices, grievance procedure and pension.</td>
</tr>
<tr>
<td>Teratanavat, Raitano</td>
<td>2006</td>
<td>Correct appraisal has following effects: Reduces employee stress, Review of overall progress, Linkage between current performance and employee’s goals, Development of specific action plans for future.</td>
</tr>
<tr>
<td>Chhipa</td>
<td>2009</td>
<td>HR can be swayed by appraisal and performances which are the cornerstones to improve the potency and accountability.</td>
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<tr>
<td>Armstrong</td>
<td>2010</td>
<td>A performance appraisal system are set of interrelated activities and processes that are treated holistically as an integrated and key component of an organization’s approach to managing performance through people and developing the skills and capabilities of its human capital, thus enhancing organizational capability and the achievement of sustained competitive advantage.</td>
</tr>
<tr>
<td>Ghalandari, Jogh, Imani and Nia</td>
<td>2012</td>
<td>Work organizations seek the optimal job performance through their human resource, to achieve maximization of profit that can be possible through a satisfied human resource.</td>
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The retrospect of review facilitated the researcher in empathizing and helped in subsequent development of conceptual model:

- **Effectual PA makes the employee to perform effectively and it helps in improving his and overall progress of organization and thereby establishing the relationship between task and potential for reward.**

- **The implementation of efficacious PA makes a tremendous cultural shift in the personality of an employee thus increasing his creativity, working for the enhancement of organization and improving the overall perspective of organization culture in relation to customer / client service.**

- **Training need assessment is effectively done with the PA system and it eradicates the faults and problems in the employee working in the organization.**

- **PA leads to self assured and motivated employees, which leads to increased satisfied customers (internal employees), in turns that help the organization to grow.**

- **PA, if not implemented properly can be disastrous for an organization, as the employees will not put in their best and will remain mentally more occupied about their rewards at the end.**

The correct PA is a major source of deportment and a positive cultural in an organization, which is established on correct procedures and processes and is a prime factor in the satisfaction of an employee. Furthermore, the development of an academic new model for the PA espousing the philosophy of Dutch auction will give a new dimension to above merits and demerits and will give out another way forward. In this case the employee becomes the focal point and prime aim is have more satisfied employees, who can give their best to an organization for its growth in the longer run. There is a need to develop a new conceptual theoretical framework and a conceptual model for its implementation in literal life corporate sector. So there is a question that what could be a new suggested model applicable for the all corporate sectors to have satisfied employees?

**Theoretical Framework and Conceptual Model:** The main objective of this paper / study was to develop and propose a performance appraisal espousing the philosophy of Dutch auction for all corporate sectors, having a universally accepted applicability. The developed model for research is a contribution in original to the body of knowledge and has many applicative facets. Review of literature shows that there are numerous areas which can be improved upon and the PA system should be developed to help employees in improving themselves by corrective measure through the PA cycle. The proposed model as under deals with the following:

- Development of touchstones
- Communication of touchstones
- Biannual performance appraising
- Supervising and monitoring
- Final assessment and rewards
Conceptual model has been developed (Figure 1) for delineation of philosophy. The model constructs are as follows:

**Delineation of Philosophy:** The proposed PA system works on the philosophy of DA as explained earlier. The PA will be done on following aspects:

**Performance Touchstones Development:** Organization HR department will develop the highest and lowest level of ratings in the form of yields (output-quantifiable) and resultants (outcomes-qualitative aspects).

**Yields (Output-quantifiable Aspects):** These will be in the form of numerics. The rating scale will be 6 pointer as follows:

- 1=below average
- 2=average
- 3=high average
- 4=above average
- 5=well above average
- 6=outstanding

Quantifiable aspects that can be included in gauging the outputs can be as follows:

- Teamwork & Cooperation
- Communication
- Quality
- Initiative
- Computer Knowledge
- Productivity
- Leadership

Fig. 1: Performance Appraisal keeping the philosophy of Dutch auction: A conceptual model. Source: Researcher’s own processing.
Organization, likewise will assign the lowest acceptable rating to be achieved by an employee and this rating will not be communicated to anyone as this will be the threshold that has to achieved during a PA cycle i.e. 3.5 for yields and effective for resultant will be set as the threshold.

Biannual Performance Apprising: The merits and demerits of these aspects have been discussed in details in many performance appraisal papers and do not need any elaboration here. In the proposed philosophy, the performance of appraise will be evaluated biannually to check that he was able to achieve the highest ratings set for each touchstone by the organization or otherwise. In case the appraise who fails to reach up to the expectations, following will be done:

Assessment with Actual - Discussion: Appraise who do not achieve the highest ratings in the set touchstones, their performance will discussed with them and their drawbacks will be communicated by one on one discussion.

Disparity (gap) Analysis: Disparity analysis will be done and more focus will be exercised towards the areas of weakness and improvements will be suggested.

Training Needs Assessment (TNA): Basing on above disparity analysis, TNA will be done and training will be planned to improve upon the employee.

Measures for Improvement: These are basically the imparting of actual training to the employees, so that they can perform better and improve their ratings at the end of the PA cycle.

Supervision and Monitoring: Under achievers will remain under strict guidance; never the less those who have performed well will also be kept under this cycle so they should not slack down. Managers will monitor the performances of under achievers and will discuss the problem individually, if they find something lacking; mutually agreed remedial action will take place and these mutually agreed details will be entered into information system of the organization.

Final Assessment and Rewards: Final assessment will be carried out and a formula of 60:30:10 will be applied, 60% of employees will be falling at 3.5 pointer, 30% will be falling at 5 to 6 pointers and 10% will be those who will fail to achieve the 3 pointers. That 10% will be turned over and the cycle will start again.
Brown (2001): Reward strategy is ultimately a way of thinking that you can apply to any reward issue arising in your organization, to see how you can create value from it. The rewards are financial and non-financial; award will be directly related to the achievements and values of business goals.

**Future Study:** Performance appraisal espousing the philosophy of Dutch auction is a new concept and the model proposed can be empirically tested by taking PA as the dependent variable and performance touchstones development, communication of touchstones to be achieved, biannual performance appraising, supervision / monitoring and final assessment and rewards can be taken as independent variables.

**CONCLUSION**

Findings and conclusion from the above are:

- Application of Dutch philosophy in performance appraisal is a suggested new concept and it will improve the efficiency of an organization.
- The working environment in an organization will improve, thereby creating a healthy competition among employees.
- Aimed approach is set for employees.
- More customer centric approach will be achieved.

**Recommendations:** In view of the above cogitation, it is commended that the proposed PA system to be studied by the corporate sector for its implementation and if possible to be implemented for checking its efficacy. This will help in improving the subject study and more improved version of this philosophy can be brought forward.

**REFERENCES**

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