

# Performance Appraisal amongst Contractors in Construction Project in Malaysia

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**Abstract.** Contractors are one of the important parties in completing a construction project as they directly involved in the construction works execution. Therefore, contractors' performance should be monitored and assessed on a regular basis to ensure the success of the project, particularly by identifying the failures and shortfalls, as well as any delays and losses that might occur due to the poor productivity of the contractors. A systematic performance appraisal is one of the endeavors in ensuring that the contractors' performance is as per the expectation of the stakeholders, particularly the client. Hence, this paper provides a review on the contractors' performance appraisal practices in construction industry in Malaysia. Questionnaire survey on 214 respondents from construction industries, ranging from contractors to project managers, was undertaken where the results showed that contractors' performance appraisal in a particular construction project is very essential as it drives the project towards the better improvement and ultimate success.

## Introduction

Construction industry, as a typical industry in Malaysia, is developing rapidly in economic sector, which creates a dominos effect to other sectors' development such as tourism, agriculture, health, manufacturing etc. Nevertheless, construction projects in Malaysia are obnoxious with high-profile problematic projects namely cost and time overruns, abandoned as well as poorly constructed projects.

[1] claimed that construction industry is a complex, creative, and important activity that transforms physical resources into useful structures and the basic resources includes raw materials, machinery, manpower, finance and technology that involves several parties such as clients or developers, architects, consultants, main-contractor, sub-contractor, suppliers, local authority etc. On the other hand, [2] defines construction industry as an industry that consists of five majors categories of work; general construction and demolition, construction and repair of building, civil engineering, installation of fixtures and fittings and building completion which covers a wide range of products, services and activities.

Nevertheless, regardless the type of projects, the main purpose of the project is to gain the project success where according to [3], some of the criteria for a project success are when it is delivered on time, within the budget and within the scope that are satisfied by the client. However, [4] stated that recent research shows that despite of the improvements in the science of project management, only 34 percents of the projects meet all of the intended goals. It shows that the vulnerabilities in project management implementation contribute to project failure, implicates more than one factors.

Seeing as the contractors are directly involved in the provision of construction projects whilst at the same time form themselves as the majority in the construction players congregate, their involvement are always being regarded as essential towards the betterment of construction industry performance. Nevertheless, it is also essential to note that other stakeholders namely consultants, government, suppliers, designers and even the end-users as well as the taxpayers also play their own and specific roles in ensuring the best performance of construction industry in Malaysia.

However, it can not be argued that a good construction project need a good project management as well as good project manager and team. In accordance with [5], project management refers to the application of knowledge, skill, tools and techniques of project activities to meet a relatively short-term objectives that has been established to complete the specific goals and objectives. A good project management will absolutely assist construction parties, especially contractors, to manage not only the stakeholders involved in the project, but also to properly manage the utilization of resources. To be more detailed, [6] claimed that project management is accomplished through application and integration of the project initiating, planning, executing, monitoring, controlling and closing. Briefly, project management is considered as a process that involves planning, scheduling, and controlling all the project activities to meet the project requirements.

Nevertheless, lack of awareness of this part has made copious of construction project did not meet their objectives. There is a saying, 'if you fail to plan, you must plan to fail' by Robert Fulmer, and the same goes to the construction industry. Hence, in delivering a project as per client's expectation, contractors have to come up with a good working plan. As the construction project involves more than one party, a comprehensive project management is very essential, which is materilised by the project manager and his/her project management team. As a matter of fact, in making the project management to become more effective, an observation, or to be more specific, an assessment, should be implemented to appraise the performance of contractors so that they perform productively as they are aware that their performance is being appraised by the stakeholders.

## **Literature Review**

In management field, performance appraisal system is most commonly being implemented in work environment, both the government and private sector. It is vital for the organization who seeks for the improvement of their employee's performance since through this system, the employer may know what is lacking, such as in terms of employee's job satisfaction, level of organization commitment etc. There are countless examples of corporate and project crises in work environment which have arisen as the result of people behaviors, and it would seem that human resource or HR has the potential to eliminate more construction risk than any other management approach [7].

Performance appraisal is one of the most vital components in ensuring the quality of performance amongst the employee. This assessment is normally being implemented not only for the mid workers and subordinates, but also among the top management. This is to ensure the enhancement of the competence and effectiveness of the manpower in the organization as being claimed by [8] that the efforts of employees can determine the success and survival of an organization.

Amongst various forms of performance appraisal, [9] defined performance appraisal as a formal process of observing and evaluating an employees's performance. This assessment could be implemented through various methods; graphic rating scales, behaviourally anchored rating scales (BARS), behavioural observation scales (BOS), mixed standard rating scales and management by objectives (MBO). Any of these methods could be used, but the purpose is still the same; to assess the performance of a particular organisation or party. [10] reported that more than 90 percents of bigger organizations use performance appraisal system and more than 72 percents of the system are scheduled annually. It shows that performance appraisal system nowadays is very demanding as it is important that members of the organization know exactly what is expected of them.

As the expectation of the stakeholders regarding the final delivery is very significant, the satisfaction of the contractors through the construction phases need to be dealt vitally. It is very important for them to be satisfied in finishing their task as it might directly affect the project.

Hence, to ascertain the success of the construction project, this system could be applied to the manpower of the project management in the construction project, especially the contractors. This system is essential as construction industry is always synonymous with the delay, over-budgetted and poor quality, which are contributed significantly by the contractors; the main key players in directly delivering the project outcome to the client.

It is suggested by this paper that the contractors' performance appraisal system, whether is being developed manually or automatically through other means namely simulations or programming, shall be linked to the penalty and reward system. On top of that, this contractors' performance appraisal system also should be used as the main reference in tracking the previous performance of that particular contractors where they were entering the bidding process of another new construction projects. With the awareness that their performance is being monitored, assessed and recorded for the purpose of the current project progress payment as well as the succeeding potential projects for as a part of their company's reputation record, it is expected that the contractors will perform efficiently and effectively towards assisting the stakeholders, particularly the clients, achieving the objectives of the projects.

## **Methodology**

Initially, a literature review is conducted. It is sourcing from journals, conference proceedings, completed theses and research reports from the reputable tertiary institutions as well as other documents available in public domain.

Construction Industry Development Board (CIDB) and Pusat Khidmat Kontraktor (PKK) are used as a resource in obtaining the database of the potential respondents; consisting construction contractors in Malaysia. The questionnaires are designed using literature reviews to obtain the primer data and pilot test are then carried out before the real questionnaire survey is undertaken.

The targeted respondents, which are selected based on probability stratified simple random sampling on convenient sample, are stratified into dependent variables, consisting of contractors and project manager.

Questionnaire survey is adopted as a means of primary data collection by this paper since it is one of the most cost effective ways involving a large number of people in order to achieve better results [11]. The questionnaire uses 5 points of Likert scale of "1 = Strongly Disagree", "2 = Disagree", "3 = Neither Disagree nor Agree", "4 = Agree" and "5 = Strongly Agree".

Statistical methods are then eventually used for each level of study, via Statistical Package of Social Sciences (SPSS) Version 20.

## **Results**

Table 1 shows the demographic data of the respondents involved in this paper. Table 1 shows that majority of the respondents are contractors (61.2 percents) working with trading companies (44.8 percents) that are established between 1 and 10 years (55.1 percents). The majority involvement of contractors is essential as this paper substantially provides a review on the contractors' performance appraisal practices, in particular, for construction industry in Malaysia. On the other hand, it is important to highlight that project managers of the consulting company are also the vital respondents of this paper as the performance of contractors is traditionally monitored by the project managers, yet whether or not the contractors' performance appraisal emerged in place is a different issue that will not be answered via the demographic data results.

Table 1. Demographic data

<b>Variables</b>	<b>Category</b>	<b>(N)</b>	<b>(%)</b>
Type of companies	Trading	96	44.8
	Enterprise	44	20.6
	Sendirian	74	34.6
	Berhad		
Establishment of company	1-10 Years	118	55.1
	11-20 Years	44	20.6
	21-30 Years	24	11.2
	31-40 Years	16	7.5
	> 40 Years	12	5.6
Designation of respondents	Contractors	131	61.2
	Project Manager	83	38.8

Descriptive statistics such as mean scores, standard deviations, reliabilities, and intercorrelations of the study variables are provided in Table 2. Table 2 demonstrates that majority of the respondents agrees that the performance appraisal on contractors must be implemented whenever a project is developed, performance appraisal is the main tool of assessment in a project and performance appraisal gives a positive improvement.

Table 2. Descriptive statistics and correlations of variables

<b>Variables</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>A</b>	<b>B</b>	<b>C</b>
Performance appraisal on contractors must be implemented whenever a project is developed (A)	3.51	1.03			
Performance appraisal is the main tool of assessment in a project (B)	3.62	1.06	0.86**		
Performance appraisal gives a positive improvement (C)	3.12	1.04	0.78**	0.81**	

\*\*p < 0.01

## Discussions

Based on the responses, the results revealed that performance appraisal gives a positive result to the betterment of construction industry performance in Malaysia. This is due to the fact that the performance appraisal system is observed by this paper as exceedingly affects the project management process in general. On the other hand, project Human Resource Management is embedded in the field of project management knowledge itself, which performance appraisal is one of the crucial components in the field of human resources.

As construction industry is known as one of the main industry in Malaysia, there are so many aspects that could be appraised from the perspective of project management. These include namely quality, safety, time and effectiveness of the management. These aspects are very crucial as they could be one of the factors that contribute to the failure of the project, such as over-budget, poorly constructed facilities or delay. Hence, performance appraisal system as the connector between the contractors and project success is very essential in order to meet the project objectives of cost, time and quality. It is substantial to underpin that performance appraisal could act as a guideline for the contractors and even the other construction stakeholders in avoiding any shortfalls or mistakes regarding the project.

As a matter of fact, this paper has brought an innovation in the performance appraisal system among the contractors in terms of its potential practicability and efficiency of implementation. This paper has giving an alarming signal to the construction players in monitoring the performance of the contractors via the continuous contractors' performance appraisal system so that the contractors will perform to their best as knowing that their performance is being monitored by the respective stakeholders.

## Conclusion

Construction industry products such as building, roads, bridges, sanitary systems etc provide conveniences to the community. However, failure in having a comprehensive project management would give an impact to the quality of the project namely cost overruns, delay or abandonment and poor quality of end product. Hence, there is a need for a systematic implementation of performance appraisal amongst contractors in order to enhance the effectiveness of the project management in construction project in Malaysia. This paper has successfully achieved its objective of providing a review on the contractors' performance appraisal practices in construction industry in Malaysia. The findings of this paper have shown that contractors' performance appraisal in a particular construction project is very essential as it drives the project towards the better improvement and ultimate success. The continuous contractors' performance appraisal is therefore substantial in ensuring that the contractors effectively and efficiently perform their jobs as per agreed in the contract so that the quality of construction industry in Malaysia could be improved towards achieving the World Class Construction Industry by 2015.

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