

## **The use Performance Appraisal System in Enhancing Employees' Performance in a Public Sector Agency in Nigeria**

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### **Abstract**

The performance appraisal of managers has long been a mainstay of HR practice and its spread exemplifies the increasing uptake of the systematic and consistent approach to personnel practice. Employees' appraisals involve the determination of performance competence (strength) and failure (weaknesses) of the employees on their jobs. Appraisal results are used to determine promotion, compensation plan, training and counseling needs. This present study is based on the sample size of 220 employees of the public sector agency in Nigeria. The samples were drawn using simple random sampling technique and the data collected were analysed using correlation. The findings of the study revealed a significant relationship between appraisers and employees' performance ( $r = 0.358$ ;  $P < 0.05$ ) and that in order for the organisation to achieve her organisational goals and objectives, a good reward system for high performance must be established. The study recommends that the management of government agency should establish sound performance appraisal mechanism that will measure the actual performance of employees, detecting any deficiency in employees' performance.

**Key word:** Performance, Appraiser, Management Employees, Government Agency.

### **Introduction**

Within the prescriptive human resource management practices, it has been suggested that performance appraisal is an indicative of the emergent of a more strategic and integrated approach to personnel practice. It has been argued that the emergence of performance

management is a microcosm of the debate about whether HRM is predominately a 'soft' or 'hard' management style (Bach & Sisson, 2000). The soft approach to performance management is associated with the development of resourceful employees, identifying training needs to ensure high levels of future performance. While in the case of hard approach, it is primarily concerned with reviewing current performance against individual objectives and linking these ratings to individual pay.

The objective of every manager is to ensure that individuals and groups within the organisation put in their best so that their efforts will bring about better performance for the organisation. Organisational performance according to Mondy and Noe (2008) is the level of achievement in terms of market share, profitability, productivity, sales volumes and quality service delivery. In order to achieve these expected goals, Gibson (2004) argues that employees need to be managed. This is based on the assumptions that organisation that manages her performance stands a better chance of achieving sustainable competitive advantage over its rivals.

Several acronyms has been used for performance appraisal such as performance review, personnel review, employee appraisal, service rating, performance evaluation, or efficiency report, all which are aimed at systematically organising, formalising, assessing and evaluating individual employee's job related strengths and weaknesses (Banjoko, 2002). Appraisal according to Oluwatoyin (2002) can be used to assess the performance(s) of employees in order to diagnose any deficiency or improvement in line with set performance standard. Additionally, performance appraisal according to Sulaimon *et al.*, (2001) is a periodic review or evaluation of an employee's past, present and future performance on the job. Looking at all these definitions, there is an area of convergence in terms of performance appraisal as periodic evaluation of employees' performance in an organisation. This exercise enables organisations to identify any weaknesses and improvement in employees' performance.

Enhancing organisational performance is one of the essence of organisation, coupled with the need to predict and control individual or group behaviours. If these are achieved, it will reduce the incidence of unfavourable attitudes in the workplace (Harris, 2001). In this situation, the effect of organisational culture cannot be undervalued. That is, the organisational values (culture) should be foisted on organisational members through training. This will ensure, to a large extent, that there is no much deviation by individuals from organisational value(s). Decenzo and Robbins (2002) argue that performance standards or goals are established and all employees are enjoined to strive individually and collectively towards corporate goals attainment. In order to achieve this, each employee's performance must be evaluated against established goals or specific set of expected behaviours. By appraising individual's performance, areas of relative strengths can be identified and reinforced while areas of shortcomings can be communicated to the appraisee and be encouraged to redirect their work habits in a manner that is conducive to better performance growth.

### **Objectives of the Study**

The main aim of this paper is to examine the role of performance appraisal on employees' performance. The specific objective of the study is:

- i. To determine the significant relationship between performance appraisal and employees' performance.

In order to achieve the aforementioned objective, the following research questions will be addressed in this study.

- a. Does performance appraisal have significant impact on employees' performance in a government agency in Nigeria?
- b. Does performance appraisal enhance employees' performance in workplace?

### **Performance Appraisal Explored**

Human resource performance appraisal is concerned about how employees carry out their jobs (Cardy, 2004). Appraisal results according to Cardy (2004) can be used for various purposes such as; determining promotion, compensation plan, training and counseling needs. Bhattacharya (2008) argues that the appraisal process is a joint responsibility of personnel specialist who prepares and administers the evaluation instrument and the line manager who designed job assessment areas and instrument to conduct the assessment (appraisal) and forward the scores to personnel management department for record management purpose. The measurement of performance or appraisal is a vital instrument for ensuring employees' performance improvement (Caputo & Roch, 2009). That is, the appraisal provides a rational medium or instrument for measuring each employee contributions to corporate goal achievement and success. It provides vital information about a worker's strength and weaknesses, training needs and reward plan such as advancement, promotion, pay increase, demotion and work or performance improvement plans (Mondy & Noe, 2008). However, it is a complex management function which demands extra-maturity, fairness and objectivity in assessing individual's job performance based on explicit job-related criteria (Bhattacharya, 2008).

In order to maintain organisational performance using some of the indices listed above, it is necessary that the management constantly evaluate the performance(s) of individuals within the organisation. This will help minimise undesirable consequences that can hinder performance, such as sabotage and wastage (Caputo & Roch, 2009). Performance appraisal therefore should be a systematic evaluation of the individual with respect to his/her performance(s) on the job and the potential for future development (Banjoko, 2002).

Appraising employees involve the use of several methods such as rating scale; management by objective; standard of performance (job dimension and behaviourally anchored rating scale (BARS); interpersonal comparison and so on. Organisations use different tools for performance appraisals, often resulting in some confusion as to the true purpose of performance appraisal systems. However, Wiese and Buckley (1998) argue that performance appraisal process allows an organisation to measure and evaluate employees' behavior and accomplishments over a specific period of time. What all these aforementioned methods have in common is that, they all can be used to appraise individuals by focusing on individual's characteristics and contributions toward the organisational goals and objectives. That is why Atkins and Wood (2002) argue that every employee should know how he/she is performing periodically. It is by measuring employee performance without subjectivity that employees' job satisfaction is enhanced. Gibson (2004) in another study reported that organisations in this century are knowledge based and are facing challenges in the form of talent retention, increasing quality, increasing productivity and profitability. Hence, the human resources are considered as the backbone of any economic enterprise (Decenzo and Robbins, 2002).

It is clear that an organisation's success depends on its ability to efficiently manage the resources and have competitive and progressive attitude. This can be achieved only if the employees upgrade their knowledge, skills and know their areas of weakness. Moreover, it has become important for organisations to harmonise the performances and expectations of their employees. That is why the performances of employees should be reviewed and measured by the organisation. These measurements according to Rao and Udai (2006) would help in identifying and capturing the gap between what an employee has done and what is expected on the job.

### **Rationale for Performance Appraisal**

Performance appraisal according to Banjoko (2002); Gibson (2002); McGregor (1997) and Rao (2008) is employed to achieve several objectives that include improvement in the communication between supervisor and subordinate through the use of feedback between them. It can be used to identify the scope for performance improvement and individual training and development needs. All these are evaluative and developmental use of the appraisal system, which will require the rater to objectively reach a conclusion about performance. Such rating system assumes that the rating tool is reasonably objective and accurate. However, in reality, Ivancevich (2001) argues that the raters' memories are quite fallible, and raters subscribe to their own sets of likes, dislikes, and expectations about people, which may or may not be valid. That is, raters have their own parameters with which they "subjectively" view their subordinates. These biases produce rating errors, or deviations between the "true" ratings an employee deserves and the actual rating assigned. Rating errors according to Cardy (2004) reduce the reliability, validity, and utility of performance appraisal systems, which can manifest themselves in many forms.

Some of the most common types of rater biases according to Robert and John (2000) are namely, halo effect and horns effect. In the case halo error, rater perceives one factor as having more importance and gives a good rating to an employee based on this one factor. In this situation, the rater fails to discriminate between the employee's strong points and weak points; and the halo is carried over from one dimension to the other (Robert and John, 2000). Horns effect on the other hand occurs when the appraiser gives an unfavourable rating to overall job performance essentially because the appraisee has performed poorly in one particular aspect of the job which the appraiser considers all-important (Cardy, 2004). All these errors can limit the ability of an organisation to adequately capture employees' performance and align them with the organisational goals and objectives.

### **Effective Appraisal System**

An effective appraisal system is expected to be reliable, valid, standardized, practical and opened to feedback system (see Atkins & Wood, 2002). In measuring reliability and validity, an objective instrument, which is expected to be consistent must be used. While in the case of standardisation, information pertinent to the job must be utilised and employees performing the same function must be evaluated using the same instrument (Gibson, 2004). Lastly, there should be also a good feedback system that would enable employees to respond to the appraisal result. This would give employees the opportunity to either agree or disagree with result of the appraisal (Rao and Rao, 1985).

### **The Effect of Performance Appraisal on Employees' Performance**

Extant literature reviewed has shown that there are trends in effective performance management systems and the effects of such systems are opened for future debates. Cardy (2004) argue that the effect of the performance appraisal conducted in an organisation can sometimes determine the overall success of the organisation. Argument such as this given by Cardy (2004) emphasise the fact that performance management system is as important as the business system. That is why it will make a lot of difference in organisational performance. Although how employees are been assessed and the approaches employed in recent years are changing; appraisers such as senior managers must be conscious and responsive to such changes to performance management systems in their organizations.

Moreover, with the increasing recognition that permeates most organisation's appraisal system, there should be an attempt to refashion appraisal to ensure that it contributes fully to the effective HR practice. This new mindset emphasises on the use of discretionary effort and practical application of behaviours associated with emotional intelligence. For instance, Decenzo and Robbins (2002) revealed that successful organisations should realise that performance management is a critical business tool in translating strategy into results. Thus, performance management systems would directly influence some critical organisational outcomes such as; the financial performance, productivity, product or service quality, customer satisfaction, and employees' job satisfaction (see Bhattacharya, 2008). However, the strategic use of performance appraiser system to achieve organisational outcomes should be treated with some caution. That is, while reflecting on the importance attached appraising employees, many employers have focused on the role of performance management within a broader organisational context, in which appraisal is only part, albeit the key component of a systematic process of performance management. The key impetus for this development has been a more competitive environment in which organisations operate. This can place pressure on a firm's ability to measure and improve the performance(s) of their staff. Based on the arguments above, the following hypotheses are developed, to investigate the relationship between employees' appraiser and their performances. This is based on the assumptions that if employees' performances are assessed or appraised, they are most likely to perform better.

### **Research Hypotheses**

The following research hypotheses are generated for this study:

#### **Hypothesis 1**

*H<sub>0</sub>: There is no significant relationship between performance appraisal and employees' performance.*

*H<sub>1</sub>: There is a significant relationship between performance appraisal and employees' performance.*

### **Method**

A questionnaire titled 'The impact of Performance Appraisal on Employees' Performance' was developed for the purpose of this study used. The questionnaire contains 22 items, which subjects response to a 5-point Likert response rating scale, which include; Strongly Agree (5 points), Agree (4 points), Undecided (3) Strongly Disagree (2 points) and Disagree (1 point). The questionnaire consists of two sections; that is, sections A and B. Section A contains demographic information about the respondents, such as; age, sex, working experience, highest educational qualification and the frequency of appraiser been conducted in the organisation. Section B consists of items relating to performance management, which include: effectiveness of the appraiser system, response to performance management, evaluation of

the success of the appraiser system, techniques and the review of the performance management and so on. A test of reliability was conducted on the questionnaire. A high score represents a greater preference for the strategy indicated. With respect to the test of reliability of the research instrument, Cronbach alpha of 0.89 was obtained. The dependent variable is employees' performance while the independent variable is performance appraisal. The sample size was made up of two hundred and twenty (220) staff ranging from top management level to lower level management.

## Results

A simple descriptive analysis was conducted on the data. The Table 1 below is a simple illustration of the summary of the data. While the formulated hypothesis is tested using inferential statistics based on 0.05 probability level of significance. The result of the test is also presented in Table 2 below.

**Table 1: Analysis of Respondents**

<b>Descriptive</b>	<b>(N=220)</b>	<b>Per cent (%)</b>
<b>Gender</b>		
Female	(N=120)	54.5%
Male	(N=100)	45.5%
<b>Age</b>		
21-30	(N=130)	59.0%
31-40	(N=70)	31.8%
41-50	(N=19)	8.6%
51 and above	(N=1)	0.45%
<b>Marital Status</b>		
Single	(N=100)	45.5%
Married	(N=95)	43.1%
Divorced/Separate	(N=25)	11.3%
<b>Academic Qualification</b>		
WAEC, GCE O' Level	(N=28)	12.7%
OND, NCE, ATS	(N=12)	5.4%
HND, B.Sc., B.A	(N=125)	56.8%
MBA, M.Sc., M.A.	(N=55)	25.0%
<b>Work Experience</b>		
Less than a year	(N=23)	10.4%
1-5 years	(N=120)	54.5%
6-10 years	(N=67)	30.4%
11-15 years	(N=10)	4.5%
<b>Status of Respondent</b>		
Management staff	(N=29)	13.1%
Senior staff	(N=141)	64.0%
Junior staff	(N=50)	22.7%
<b>Frequency of Appraisal</b>		
Weekly	(N=31)	14.0%
Monthly	(N=33)	15.0%
Annually	(N=130)	59.0%
Bi-Annually	(N=26)	11.8%

Quarterly	(N=22)	10.0%

The table above shows that 31 respondents reported that performance appraisal is conducted weekly representing 59%; 33 respondents reported that performance appraisal is conducted monthly representing 15%; 31 respondents claimed that performance appraisal is conducted annually representing 14%; 26 respondents reported that performance appraisal is conducted bi-annually representing 11.6% while 22 respondent claimed that performance appraisal is conducted quarterly representing 10%. Thus, majority of the respondents (59%) agreed that performance appraisal is conducted annually in the public sector organization.

### Test of Hypotheses

The null hypothesis was tested at 5% probability level of significance.

**Hypothesis 0:** *There is no significant relationship between performance appraisal and employees' performance.*

**Hypothesis 1:** *There is a significant relationship between performance appraisal and employees' performance.*

**Table 2: Pearson Correlation Table of Analysis on Relationship between Performance Appraisal and Employees' Performance**

Variable	N	Mean	SD	r	P	Remark
Appraiser enhances performance	220	14.65	10.31	0.358	.000	Significant (P < 0.05)
Are you appraised		16.33	11.29			

Table 2 presents the results of the analysis conducted on whether there is a relationship between appraiser and employees' performance. The Table 2 above, reveals that a significant relationship between appraisers and employees' performance ( $r = 0.358$ ;  $P < 0.05$ ). The finding shows that if employees' are appraised, they are going perform better. This result does not support or confirm hypothesis one, so i therefore reject that there is no significant relationship between appraising and employees' performance. This finding is similar to those of Cardy (2004) who stated that there is positive relationship existing between effective performance appraisal and the performance of employees in workplace. Cardy further added that employees perform well when they know that their performance(s) would be evaluated at the end of the day. Furthermore, the findings is supported by previous works of Caputo and Roch (2009), Mondy and Neo (2008) and Banjoko (2002) who all submit that performance appraiser provides a motivational medium or process, that will enhance employees' performance and their contributions to corporate success. Thus, an increase the number of times employees' are been appraised, the higher their performance. Harris (2001) study is also consistent with the above finding that performance appraisal enhances employees' performance. According to Harris (2001), periodic performance evaluation programme in workplace enhance employees' performance as well as ensure conformity to set goals.

### Discussion

The study revealed that there is a relationship between performance appraisal and employees' performance. Effective performance appraisal in workplace brings about improvement in the performance of employees. Employees are most likely to show commitment to set goals when they are aware that their performance on the job would later be reviewed. The study shows that the organisation has been able to achieve its objectives resulting from effective evaluation of employees' performance. Thus, our understanding of performance appraisal and how to utilise the results should change. Measuring employees' performance should move away from the early 90's, performance management way of describing a more sophisticated performance appraisal system, which was often implemented to provide a rating to drive a pay result, than a series of processes which enabled both organisations and individuals to focus effectively and in depth on the creation and sustenance of high performance culture. As we all know, old ideas and concepts take time to die and appraisal is no exception. This study therefore recommend a more holistic approach to appraising employees should be developed and adopted by organisations in managing people

### **Conclusions**

The quest to demonstrate value for money and clear accountability has ensured a strong interest in appraising employees. Moreover, many organisations are supposed have view the introduction of appraiser system as a means to facilitate cultural change, establish and evaluate staff against set core competencies. But in reality, performance appraisal unfortunately has been used in some organisations as a political tool for helping to advance or for obstructing and thwarting the career path and progress of some employees. Hence, objectivity that is so critical in any appraisal system tends to be replaced with subjectivity or favoritism. Especially by those who have 'God fathers' in the system.

To enhance the accuracy and the acceptability of the appraisal reports, efforts must be made by individual raters as well as the organisation to deal with these problems. Appraising employees should therefore be aligned with the organisational objectives. This, the HR can help managers to understand how to define roles in the light of the business drivers and how to identify the capabilities required to do the job. The key performance indicators for each role should be derived from the business drivers and therefore built into role processes.

Importantly, in appraising employees, it is important to take into account both the results (output) and inputs (effort). This is a 'soft' approach to measuring performance, and can be very useful in bringing out changes in employees behaviours and culture. The old management Dictum 'if you can't measure it, you can't manage it' should not be encouraged. Appraising employees and measuring performance should emphasise on what can make a positive difference to the organisation. HR needs to be able to support managers in understanding how they can achieve high standards with slim resources; through valuable training and other support mechanisms that will ensure that managers will have the skills to coach and develop other people and as well as appraise performance.

In conclusion, a dynamic and growing organization needs to continually review its structure and systems by creating new roles and responsibilities. The identification of employee potential to ensure the availability of people to do different jobs helps to motivate employees in addition to serving organisational needs. Without performance appraisal, employees can only guess as to whether they are working towards the right goals in the correct way and to

the desired standard. That is why the appraiser system should aim at the overall development of individual and organization.

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