

## **PERFORMANCE APPRAISAL AND ITS IMPACT ON EMPLOYEES PRODUCTIVITY**

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### **ABSTRACT**

The Performance appraisal is one of the most significant human resource management customs as it yields critical decisions essential to various human resource programs and outcomes. The purpose of this paper is to examine performance appraisal and its impact on employee's productivity in an organization context. In this rapid-cycle economy, business leaders know that having a high-performing labour force is essential for growth and survival. They know that a highly engaged labour force can upsurge innovation, productivity, and bottom-line performance, while decreasing costs related to leasing and retention in highly competitive talent markets. The work environment and job characteristics have a differential effect on employee duties. However, a growing group of best-in-class companies say they are gaining for its competitive advantage through establishing metrics and practices to effectively quantify and improve the impact of their duties initiatives on overall organisational performance. The survey found that many banks find it challenging to measure performance appraisal and tie its impact to financial results. A significant gap appeared between the views of executive managers and middle managers in this area. Top executives seemed much more optimistic about the levels of employee productivity in their organisations, making them seem out of touch with middle management's sense of their front line workers' productivity. The Research is to getting Connection towards employee's productivity to their performance appraisal requires considerable effort and top management focus to a large degree, with enormous opportunity available to utilize for better function of their organizations.

**Keywords:** Performance appraisal, productivity, Motivation, Performance management and employee performance.

## **1. INTRODUCTION**

A performance appraisal system is a good method that can be used to expand the quality of an organization's labour force performance of which it is deemed to be an important aspect in human resources management and as part of the regulating process in administration (Kavussi Shal, 1999). In order for an organisation to ascertain its objectives, preparation of the appraisal process is an principal subject who should be undertaken to permit it to achieve the objectives like labour force development, including improvements, promotions and assignments in executive positions, persuading and punishment, salary increase, personnel's performance feedback and determining their educational needs. Therefore, an appraisal can be seen as an important factor in classifying the people's talents and abilities and its results can make them conscious of advancements, plans and goals. An organization, it self, needs to notice the employees competence to improve the manpower's status, for the reason of increasing the volume of the production and services and creating positive changes in its trend (Kavussi Shal, 1999).

Performance appraisal should be organized periodically to assess an employee's performance measured against the job's stated or supposed requirements. It is vital that members of the organization know precisely what is expected of them, and the measures by which their performance and results will be measured.

Therefore performance appraisal is vital to manage employee's work effectively. (Armstrong, 2001) tells performance as behavior – the way in which organization's teams and individuals get work done.(Mooney, 2009) suggested that performance is not only connected to results but it also relates with activities and behaviors of employees that they accepted to achieve their given goals. (Dessler, 2005) define performance appraisal as “comparing the employee's present and past performance to his/her performance standards”. (Grubb, 2007) says performance appraisal is a procedure to evaluate how individual or personnel are performing and how they can develop their performance and contribute to overall organizational performance. (Beach, 2001) Performance appraisal is the systematic clearing of employees according to their job and potential development. (Pinar Güngör, 2011) says “Motivation is the ability of person to modify his/her behavior”. Motivation is a driven force that leads and directed a person toward some specific goals.

After employee selection, probably the most powerful tool managers have to examine employee's performance and getting results is the performance appraisal (Grubb, 2007). Performance appraisal involves an employee knowing what is expected of him and remain

focused with the help of the supervisor, tells them how well they have done that motivates the employees toward the good performance (Casio, 2003).

## **2. STATEMENT OF THE PROBLEM**

In Nigeria most of the performance appraisal exercise /program are not well planned and focused. Management of organization tends to vision it as a disciplinary measure. This makes it lose its objective and focus, performance appraisal no longer seek to realize its objective of correcting mis-directions hence increasing productivity and jettison all interference that tends to delay productivity. But it is being used as and jettisons all hindrance that inclines to hinder productivity. But it is being used as a tool for subservience oppression, victimization and exploitation. Despite the absolute return at performance appraisal to many organizations, the societal value system has softened its objectivity and its attendant's outcomes. This makes most of our performance more subjective than objective.

## **3. OBJECTIVE OF THE STUDY**

The objective of this study is to examine performance appraisal and its impact on employee's productivity in an organization. Key insight derived from this study includes:

- i. To determine the impact of performance appraisal, motivation and employee productivity.

## **4. RESEARCH HYPOTHESIS**

The study will be conducted with the help of the following alternate hypothesis:

H<sub>1</sub>: There are significant impacts of performance appraisal, motivation and employee productivity

## **5. RESEARCH METHOD**

This research therefore covers one selected banking organization in Abuja, Nigeria, namely Fidelity Bank Plc. Secondary data were obtained through books, journals, and internet. Empirical works of other scholars were consulted. A simple size of 83 was obtained from the population of 105 at 5% error tolerance and 95% degree of freedom using Yamane's statistical formula 83(100%) of the questionnaires distributed 80(96%) were returned and 13(4%) were not returned. The questionnaire was designed in Likert scale format. The researchers conducted a pre-test on the questionnaire to ensure the validity of the instrument. One-Sample Statistics analysis was used to test the hypothesis.

## **6. LITERATURE REVIEW**

### **6.1 The Concept of performance appraisal**

Performance appraisal according to Greenberg (1986) may be defined as an organized formal interaction between a subordinate and supervisor, that usually takes the form of a recurring interview (annual or semi-annual), in which the work performance of the subordinate is inspected and discussed, with a view to recognizing weaknesses and strengths as well as opportunities for improvement and skills development. Ilgen, et al. (1993) observed that in many organizations-but not all appraisal results are used, either directly or indirectly, to help determine reward outcomes. That is, the appraisal results are used to identify the better performing employees who should get the majority of available merit pay increases, bonuses, and promotions.

By the same token, appraisal results are used to identify the poor performers who may need some form of counseling, or in extreme cases, demotion, dismissal or decreases in pay. (Organizations need to be aware of laws in their country that might restrict their capacity to dismiss employees or decrease pay). Whether this is a suitable use of performance appraisal - the assignment and justification of rewards and penalties - is a very uncertain and contentious matter. Moreover, Kacrnar, et al. (1999) opined that very few issues in management stir up more controversy than performance appraisal.

While all approve the use of performance appraisal, there are many different views on how and when to apply it. There are those, for instance, who believe that performance appraisal has many important employee development uses, but scorn any effort to link the process to reward results - such as pay rises and promotions. This group believes that the connection to reward outcomes reduces or eliminates the developmental value of appraisals.

Performance appraisal is a key component in human resource management function which is viewed as a subset of performance management. Rao (2005) argues that performance appraisal is a technique of evaluating the behavior of employees in the work place, this usually including both the quantitative and qualitative aspects of job performance. It helps to identify and overpower the problems faced by the employees in their work (Mackey & Johnson, 2000). Although it has many benefits for the organization, Nurse, (2005); states that performance appraisal have the equal likelihood of having a bad influence on the organization as well as on employee performance.

According to Kuvaas, (2006); performance appraisal or employee appraisal is a method by which the job performance of an employee is evaluated generally in terms of quality, quantity, cost and

time typically by the immediate line manager or supervisor. A performance appraisal is a part of the process of controlling and managing career development in both private and public sectors. It involves the task of obtaining, analyzing and recording information about the relative worth of an employee to the organization. Accurate appraisals are critical for the evaluation of recruitment, selection, and training procedures that lead to improved performance. Appraisals can regulate training needs and occasionally, counseling needs. They can also increase employee motivation through the feedback process and may grant an evaluation of working conditions, thus, improving employee productivity, by encouraging the strong areas and modifying the weak ones.

## **6.2 Impact of Performance Appraisal on Employee Performance**

According to Rudman (2003), PA is a critical factor in an organization in enhancing the performance of the employee. Further, there is a strong connection between how firms manage their employees and the organizational results they achieve. Boswell and Benson (2000) “contend that the human nature is in constant need of recognition and when they are recognized, either positively or negatively; it spurs them to do more”. It is contended that one of the instruments through which managers motivate their employees is the use of an effective PAP (Performance Appraisal Policy).

Cook and Crossman, (2004), highlight that an employee whose performance is under appraisal often become defensive. Whenever employee performance is rated as less than the best or less than the level at which employee personally perceives his/her contribution, the manager is viewed as being biased. Disagreement about the contribution and performance ratings can create a conflict ridden situation that festers for months (Mani, 2002). Nurse, (2005) states “that negative feedback from PAP not only fails to motivate the typical employee, but can also cause employees to perform worse”.

Tyson & York (2000) state that when employees recognize how their individual roles function within the framework of a team, they can more effectively contribute to the whole organization. Right decision on what performance appraisal method to use is essential for the rest of the process. For motivating employees by providing them feedback on how they are doing, the MBO or work-standards approach seem to be a good choice. If they involve real participation, it is most likely to lead to an inner commitment to improved performance. MBO method of performance appraisal may, on the one side, overcome some of the problems that arise when assuming that the employee traits needed for job success can be reliably identified and measured. Instead of supposing traits, MBO method focuses on actual outcomes. These techniques of performance appraisal can give employees a filling sense of autonomy and achievement.

However, they can also lead to impractical expectations about what can and cannot be reasonably accomplished. It has been shown in numerous studies (Locke, et al.), that goal-setting is an important element in employee motivation. Goals can fuel employee effort, focus attention, increase persistence, and encourage employees to find new and better ways to work.

### **6.3 Effects of Performance Appraisal on Employee Productivity**

Capable appraisal of individual performance in an organization or company serves to increase the overall effectiveness of the entity. Kane and Lawler, 2009, indicated that, the three main functional areas of performance appraisal systems are administrative, informative, and motivational. Appraisals touches the administrative in that it functions as the role of facilitating an orderly means of determining salary increases and other rewards, and of delegating authority and responsibility to the most capable individuals. The informative function is satisfied when the appraisal system supplies data to managers and appraises about individual strengths and weaknesses. Finally, the motivational task entails creating a learning experience that inspires workers to improve their performance. When efficiently used, performance appraisals help employees and managers found goals for the period before the next appraisal. Appraisals, appraisers (managers), and companies all reap benefits from effective performance appraisals. Appraisals benefit in a number of ways; for example, they discover what is expected of them and are able to set goals. They also gain a better understanding of their faults and strengths and can adjust behavior accordingly. In addition, appraisals create a constructive forum for providing feedback to workers about individual behavior, and for allowing workers to provide input to their managers. Finally, appraisals are (ideally) given support in creating plans to develop behavior, and are able to get a better grip on the goals and priorities of the company.

### **6.4 Performance Appraisal and Motivation**

Motivation is an instrument that collects and manages employee conducts and behavior (Steers and Porter, 1987). (Porter and Miles, 1974) argued that in “job the employees need freedom for success and work environment traits rewards create motivation”. Motivation acts as energetic force that leads employees towards its goals (Grant, 2008). Motivated employees are highly concerned and engaged in their work and try to make their performance best (Guay, 2000; Vansteenkiste, 2007). Self-driven and freedom concerned with qualities are mostly found in driven employees (Grant, 2008). Motivated people are highly dedicated and have few aspirations (Kamal et al. 2005).

Performance appraisal is used to help workers to know about what is anticipated of them, increased their motivation, designate their performance and enhance their performance (Erasmus, Schenk, Westhuizen and Wessels, 2005). Organizations needed motivated employees to outlast

in a highly competitive world. Managers must be able to comprehend what motivate to employees though this purpose is very multifaceted because that motivates employees today might not tomorrow (Kovach, 1987).

Motivated employees are those who work conferring to the clearly described goals and take their actions to achieve those goals. Motivation is the insight of an individual that define the strength of his or her conduct. Performance Appraisal support employees to motivate by visibly define their principles and by setting future course with providing training to achieve the objective performance (Bach, 2005).

### 7. TEST OF HYPOTHESIS

Hypothesis 1:

H<sub>1</sub>: There are significant impacts of performance appraisal, motivation and employee productivity

**Table I: Descriptive Table**  
**One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
There are significant impacts of performance appraisal, motivation and employee productivity	80	3.73	1.674	.234

Source: Authors computation using SPSS

From the above output there are 80 observations (N), the mean number of performance appraisal on motivation and employee productivity is 3.73 and the standard deviation of number is 1.674. The standard error of the mean (i.e. the standard deviation of the sampling distribution of means) is 0.234 ( $1.674 / \text{square root of } 80 = 0.234$ ).

**Table II: Summary of One Sample Test**

	t	Df	Sig. (2-tailed)
There are significant impacts of performance appraisal, motivation and employee productivity	11.625	50	.000

**Source:** Author’s Computation using SPSS, 2018

**Note:**  $\alpha = 0.05$  (5% level of sig)

From the t-table the second column of the output gives us the t-test value (11.625). The third column tells us that the t test has 50 degrees of freedom ( $51 - 1 = 50$ ). The fourth column tells us the two-tailed significance (the 2-tailed p value).

**Decision:**

If  $t_{calculated} \leq t_{observed}$ : reject null hypothesis, meaning there is insufficient evidence to conclude that the mean number of the test is statistically significant

$t_{calculated} \geq t_{observed}$ : accept null hypothesis, meaning there is sufficient evidence to conclude that the mean number of the test is statistically significant.

From the result  $t_{observed}$  is 11.625 while  $t_{calculated} = 2.423$ . This means  $t_{calculated}$  is less than  $t_{observed}$  ( $2.423 < 11.625$ ); hence we reject the null hypothesis, meaning there is insufficient evidence to conclude that the mean number of the test is statistically significant.

**Conclusion:**

Since  $t_{calculated}$  is below  $t_{observed}$  we reject the null hypothesis and conclude there are significant impacts of performance appraisal, motivation and employee productivity.

**8. CONCLUSION**

The essential purpose of an appraisal system must be to improve the employee performance that will direct towards the organization success. The system must be intensely observed the people and identify that employees are the most important manpower in an organisation. The system should first of all support to motivate all of the employees. This system will require an endless effort in, coaching, counselling and just, even communications between the employees and managers. Banks should strive to enhance the employee’s motivation so that they turn out to be satisfied toward the appraisal system. Unskilled appraisers that have lack of communication

skills therefore are not able to achieve an effective performance and lead to undesirable attitude toward the appraisal system.

The findings concluded that the performance appraisal policy can be an effective tool in employee performance if it is perceived to be objective and fair. More so, it was found that Performance Appraisal is an important tool used to assess employees' productivity in workplace and it usually takes the form of periodic review to evaluate work performance.

## **9. RECOMMENDATIONS**

From the findings and conclusion, the study recommend that organizations should appraise their employees to enhance employees' productivity The management should therefore utilized targets, accomplishments, organization goals, time management and efficiency for performance measure purposes and the appraisal process as this would lead to increase in employee's productivity. From the findings, the study recommend that organizations should establish and adopt performance appraisal systems that would enable effectively appraisal of the employees and therefore providing opportunities to the management in identifying staff training needs, identify performance targets, improve employees performance and helping employees on time management through planning and setting of deadlines. From the findings the study recommends that firms should adopt behavioural performance appraisal system and management by objectives as the appraisal systems were found to be statistically significant in influencing employee's relationship and improving employee's productivity.

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