

PERFORMANCE APPRAISAL SYSTEM (PAS) AND EMPLOYEES' PERFORMANCE IN FLOUR MILLS NIGERIA PLC

¹AKOSILE, OLUWAFEMI IBRAHEEM., PH.D, ²ALLI, ADEWALE ISMAIL., ³JAMES, MUTIAT TEMITAYO., ⁴OLAWORE, OLUSEGUN PAUL., & ⁵ADEYEMO, TIMOTHY IDOWU

^{1&3}Department of Business Administration and Management, School of Management and Business Studies, Lagos State Polytechnic, Ikorodu, Lagos, P.M.B. 21606, Ikeja, Lagos State.

^{2&4}Department of Marketing, School of Management and Business Studies, Lagos State Polytechnic, Ikorodu, Lagos, P.M.B. 21606, Ikeja, Lagos State.

⁵Department of Entrepreneurial Studies, Veritas University, Abuja.

Corresponding Author: ismosharley@gmail.com

Abstract

Performance appraisal is a concept that is widely explored in the literature. However, most of these studies were conducted in developed nations and the scopes covers insurance industry, banking industry, hotels industry, educational institutions and supermarkets. Minimal studies have been conducted in developing countries and in the manufacturing industry. Furthermore, there are mixed findings in the previous studies (Kondrasuk, 2012; Sowmya & Guru, 2017) which therefore demand for further research on the topic. Hence, this study intends to bridge the gap. The study investigated the relationship between performance appraisal system and employees' performance at Flour Mills Nigeria Plc. A descriptive survey research design was adopted for this research study while simple random sampling technique was utilized to administered the structured questionnaire to the selected respondents of one hundred and forty-four from the total population of two hundred and thirty (230). Simple percentage method with a frequency distribution table was used and Least Square Regression (LR) estimation method of analysis was used to interpret research hypothesis, with SPSS version 21.0 used in the processing of primary data gathered via the research instrument. The instrument for data collection is structured self-administered questionnaire. The finding of the simple regression analysis reveals that performance appraisal significantly affects employees' performance at $R \text{ square} = 0.070238$, $p < 0.05$ which indicate that performance appraisal accounts for about (7.8%) increase in employees' performance. The study concludes that performance appraisal is a tool for improving employees' performance if well implemented. It is recommended that performance appraisal system should be free of prejudice and bias. Furthermore, the feedback from performance appraisal should be embrace to improve the relative shortcomings of the employees and increase their positive perception about the appraisal system.

Keywords: Employees performance, Manufacturing industry, Performance appraisal system.

1. Introduction

The achievement of landmark performance in any industry and business has a direct relationship with the employees' performance. Therefore, performance appraisal is a salient tool for achieving effective workforce performance, rewards, staff development, motivation and attainment of corporate goals. Performance appraisal has become an indispensable tool for accelerating organizational performance. Performance appraisal (PA) is a broad concept that focus on numerous sequential exercises that concerns employee's assessments, improvement of employees' potentials, skills, competency and compensation.

Salau, Oludayo, Omoniyi, and Akinbode (2014) defined performance appraisal as a periodic and systemic evaluation of employee's performance geared towards improvement of the relative shortcomings and enhance attainment of predetermined objectives. According to Zondo (2018), PA is used to determine and assess the relative strengths and weaknesses of the employees. It serves a s a benchmark for comparing and improving performance (Saleh, 2018). Moreover, Seniwoliba (2014) reiterates that the diversities in employees' culture, perceptions, abilities, quantity and quality of work done necessitates the need for periodic PA to boost efficiency.

Performance appraisal system is a global exercise seldomly used to evaluate corporate performance and the human resource (Onyije, 2015). It is a strategic technique for fostering improve employees' performance and productivity (Mollel, Mulongo, & Razia, 2017). It is often employed to achieve positive reinforcement of the desired employees behaviour and potential (Dinesh, Fadzi, & Norlida, 2018; Gichuchi, Abaja, & Ochieng, 2012) via a transparent, equity and effective feedback to employees (Abassi & Soltani, 2014). Baakeel (2018) corroborated that the performance appraisal feedback and frequency influence the employees' performance, while Idowu (2017) affirmed that performance appraisal entails feedback which enhance employees' engagement, aid learning and accelerates work performance (Selvarasu & Sastry, 2014).

PA feedback aids proper planning, coordination and control with a corresponding standard employees behaviour. Unjust performance appraisal and inaccurate feedback lower employees' morale and result to loss of confidence in the appraisal system (Owusu, Kuranchie, & Nanyele, 2018). Marciano (2010) opined that supportive feedback increase employees' confidence level, reduce turnover and in turn increases engagement rate. Performance appraisal aligns employees' goals and objectives with the corporate goals with a systemic approach of monitoring progression towards the set goals (Dorothy, Bonn, & Dennis, 2018). Parveen (2015) argued that, PA is a predictor of productivity that utilize standard assessment criteria and dimensional ratings. It is regarded as a structured rating scales consisting of both a developmental and evaluative dimension with explicit individual-peer appraisal (Mwema & Gachunga, 2014; Gupta & Upadhyay, 2012).

The performance appraisal system can be designed to monitor the employees' productivity, efficiency and behaviour trigger a negative effect on job satisfaction (Doanis, 2016). Ivana, Zdravko, Bogdan, and Milos (2018) agreed that it has dual and equal probability of having a negative effect on the organization as well as on employee performance. According to Adepoju, Opafunso, & Lawal (2017), where the performance appraisal improves the work performance and employee satisfaction, it can

also demotivate employees and leaves a bad impression on the good employees. Most of the employees do not approve the continuous performance appraisal and also consider it as a burdensome activity (Sowmya & Guru, 2017). While performance appraisal can enhance employees, poorly implemented appraisal policy can adversely hinder employee performance (Daoanis, 2018). Baakel (2018) suggests that performance monitoring and appraisal without any monetary consequences, has a negative consequence effects on job satisfaction rates of employees, whereas, the complexity of the appraisal system threaten employees perceived organizational trust and leads to lack of perceived job security (Wanjala & Kimutai, 2015), Moreover, most PA is considered as a subjective judgement by the employees and this negative perception affects their performance (Mansor, 2016). Nevertheless, Awunyo-Vitor, Hagan, and Appiah (2014) postulated that most outcomes of performance appraisal lead to threat over job security, unfair rating and bias.

Previous studies focus on the contextual analysis and influence of performance appraisal on organizational performance and employees' productivity, job satisfaction and commitment. Most of the past studies were conducted in developed nations and the scopes covers insurance industry, banking industry, hotels industry, educational institutions and supermarkets. In spite of the deluge of past literature minimal studies have been conducted predicting the effect of performance appraisal on the employees' performance in the manufacturing industry. The inconclusive and mixed findings in the previous studies demand for further research on the link between performance appraisal and employees performance. However, the reasons for performance appraisal varies and inconclusive (Sowmya & Guru, 2017). Whereas, empirical findings suggested that performance appraisal is counterproductive and capable of hindering firm and employees' performance (Kondrasuk, 2012). Hence, this study intends to bridge the gap bridge by examining the relationship between performance appraisal system and employees' performance in the manufacturing industry. Therefore, the study postulates that:

H₀₁: There is no significant relationship between performance appraisal system and employee performance.

Review of Related Literature

Performance appraisal is a global phenomenon seldomly used to assess the relative strengths and weaknesses of the employees and the contributions towards the attainment of the corporate goals.

PA is design to aid evaluation of employees productivity, succession plans and reinforcing of employees behaviour (Krishnan, Ahmad, & Haron, 2018), its primary designed for service delivery improvement, reduced redundancy, fire and promote diligent employees (Sutton & Watson, 2013); to improve employees' job satisfaction and commitment (Mollel, Mulongo, & Razia, 2017). Jonyo, Jonyo, and Manraya (2018) succinctly stated that the goal of PA is to establish ethical work standard including assessment of employee's performance (Baakeel, 2018); it aims at improving the corporate performance (Khan, 2016) in accordance with individual development (Owusu, Kuranchie, & Nanyele, 2018). Musyoka, Adoyo, and Oluoch (2015) affirmed that performance appraisal fosters critical evaluation of employees' relative strengths and weaknesses but can equally be detrimental if wrongly implemented. Idowu (2017) supported the assertion by stating that bias appraisal with prejudice can lead to high labour turnover.

Theoretical Review

This study is anchored on expectancy theory because it discusses critical the relationship between the study variables and how the expectation of the employees likely to affects their performance and perceived trust in the appraisal system.

Expectancy theory rest heavily on the premises that employees drive towards a particular action/behaviour depends on the expectation of positive actions, motivation and perception about the specific result and his personal judgement. The employees' expectancy is that the particular action (work input) will lead to favourable and specific outcome (rewards, promotion). Therefore, if the individual goals, perception and the appraisal outcome of the management commensurate with the expectations of the employees it will drive motivation and produce positive reinforcement of attitude and vice versa. Thus, employees are motivated to put more effort so as to produce better results because of the expected reward. The major critic of this theory is that it fails to

emphasized disparities in the reward system because in practice similar performance might not leads to similar rewards. Secondly, external threats and human factors might produce a deviant result far from the employees' expectations which might leads to chaos and lack of trust in the appraisal system. Therefore, there is need to institute articulate performance appraisal system that will promotes transparency and judicious implementation and in turn enhance employee trust.

Methodology

A descriptive survey research design was adopted for this research study. This method of research design was adopted to describe the effect of performance appraisal on employee performance with respect to the focus area of study. Simple percentage method with a frequency distribution table was used and Least Square Regression (LR) estimation method of analysis was used to interpretation of the research hypotheses, while SPSS version 21.0 was used in the processing of primary data gathered via the research instrument. The instrument for data collection is structured self-administered questionnaire.

The population of the study comprises of two hundred and thirty employees (230) of Flour Mills Plc which serves as the respondents for this study. The study utilized random sampling techniques and sample size of one hundred and forty-four (144) was determined using Krejcie & Morgan (1970) sample size determination table for a known population. The data analysis for the study is based on the number of retrieved data one hundred and five (105) out of one hundred and forty-four (144) that was administered.

Model Specification

The model specification used for this study was a mathematical and diagrammatic model which explains the relationship between the dependent variable and the independent variable. The mathematical equation below therefore shows the relationship between the dependent variable and the independent variables in a linear form as thus:

$$\text{If, } Y = f(X) \dots\dots\dots i$$

If Y represents Employee Performance (EP) and X1 represents Performance Appraisal System (PAS)

Thus, $EP = a + b(EP) + c(PAS) + E_t$ ii
 a= Constant
 b= Coefficient of Employees (E_p)
 C = Coefficient of Performance Appraisal System (P_{AS})
 E_t = Error term.

Analysis of Respondents Demographic Bio-Data

This section considers the critical analysis of the respondents with regards to their age, gender, occupation; marital status and the frequency and percentage are given below:

Table 4.1: Demographic Data of Respondents

Gender	Frequency	Percentage (%)
Male	63	60
Female	42	40
Total	105	100
Age		
18-30Years	26	24.8
31-45 Years	47	44.8
46 years and above	32	30.4
Total	105	100
Marital Status		
Single	29	27.6
Married	57	54.3
Divorce	19	18.1
Total	105	100
Educational Background		
ND	19	18.1
BSc/HND	39	37.1
Higher Degrees	47	44.8
Total	105	100

Source: Field survey, 2021

The above demographic table shows the descriptive statistics of the respondents' demographic data. It was revealed that 63(60%) were male which implies that more than averages of the respondents were women while most of the respondents are between the ages of 31-45years with a percentage of 44.8%, 24.8% falls between 18-30 years while 30.4% are between 46 years and above. Furthermore, 27.6% of the respondents are single, 54.3% are married and 18.1% were divorced. With respect to

educational qualifications of the respondents, 18.1% were ND certificate holder, 37.1% were HND/ BSc holders or its equivalent while a large proportion of about 44.8% have higher degree, hence, it is evident that the respondents sampled on the average are have prerequisite academic qualifications.

Test of Hypothesis

H_{01} : Performance appraisal system has no significant effect on employees' performance

Table 1: Performance appraisal system has no significant effect on employees' performance**Dependent Variable: EP****Method: Least Squares**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.657727	0.483849	5.492890	0.0000
PAF	0.307291	0.146803	2.093217	0.0407
R-squared	0.070238	Mean dependent var		3.666667
Adjusted R-squared	0.054208	S.D. dependent var		0.336146
S.E. of regression	0.326909	Akaike info criterion		0.634493
Sum squared resid	6.198413	Schwarz criterion		0.704304
Log likelihood	-17.03478	Hannan-Quinn criter.		0.661800
F-statistic	4.381557	Durbin-Watson stat		1.852985
Prob(F-statistic)		0.040713		

Source: Field survey, 2021.

The effect of performance appraisal system on employees' performance in Flour Mills Plc is presented in table 1 above. It was discovered that the constant of the model is 2.65 implying that holding all other variables constant, employees' performance will increase effectively, which is also significant at 1%. Similarly, the coefficient of performance appraisal system is 0.30; suggesting that a significant positive relationship exist between performance appraisal system and employees' performance in Flour Mills Plc. This implies that with effective performance appraisal system employees' performance will improve drastically.

Furthermore, the r-squared shows that only about 5% of the changes in employees' performance is as a result of performance appraisal system. Similarly, f-statistics show that the result is statistically significant at 5%, suggesting that in the study area, performance appraisal system is significant in improving employees' performance in Flour Mills Plc, Lagos, Nigeria; hence, this study rejects the null hypothesis. Therefore, the study conclude that effective performance appraisal system enhances employees' performance.

Conclusion

The empirical findings of the study provide evidence that performance appraisal system improves the employees' performance in Flour Mills Nigeria Plc. The study concluded that

effective performance appraisal system enhances the employees' performance in the manufacturing industry, this finding corroborate the findings of Adepoju *et al.*, 2018 and Baakale, 2018.

Recommendations

- Performance appraisal system should be free of prejudice and bias.
- Performance appraisal feedback should be embrace to improve the relative shortcomings of the employees and increase their positive perception about the appraisal system.
- Other factors that have direct effects on the employees. performance aside performance appraisal should be considered. This is because the R square = 0.070238, $p < 0.05$ shows a weak positive relationship between performance appraisal system and employees performance.
- To enhance the employees commitment, loyalty, productivity and minimize turnover the appraisal system should not be limited to traits only.
- Educational background should not be the sole basis of job designation but employees should be promoted and developed based on their performance index, length of service and other indicators.

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