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IMPACT OF PERFORMANCE APPRAISAL ON ORGANISATIONAL PRODUCTIVITY

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Abstract

There has been a concern about the disparity between most organization goal and employee's performance because performance appraisals in an organization are not tailored toward measuring productivity but instead focusing only on employee length of service. Hence employee performance as may be appreciated as a measure of performance appraisal increased organizational productivity. Therefore, the objective of the study was to examine the impact of performance appraisal on organizational productivity using Guaranty Trust Bank in Ilorin metropolis, Kwara State. The study adopted survey research design. The population of study consisted of 185 staff of GTB in Ilorin metropolis. Eighty (80) staff were selected using simple random sampling techniques. Multiple regression analysis was used to analyse the data at 0.05 level of significance. The study concluded that it is important that an organization keeps the performance appraisal result of their employees very transparent and follow the procedure of their chosen appraisal technique in order to keep their organization more productive. It was recommended that performance appraisal team should endeavour to keep the process very transparent with the employees by adequately communicating results of individual performance which serves as an effective means of motivating worker towards higher productivity.

Introduction

Performance appraisal can be seen as a distinct, official, administratively authorised event, that occur once or twice a year, it has clearly stated performance dimensions and/or criteria that are used in the evaluation process. It is also viewed as an assessment process, in that quantifiable scores are often assigned based on the judged level of the employee's job performance on the dimensions or criteria used, and the scores are shared with the employee being evaluated (Alo, 1999).

Measurement issues are important for the performance appraisal process, as a issues of rater motivation, also the impact of the outcome of appraisal on the employees so that effective appraisal systems are those where the raters have the ability to measure employee performance and the motivation to assign the most accurate ratings. According to Murphy and Cleveland, (1995),

for an excellent discussion of the role of rater motivation in this process 'Performance management' is a broad set of activities aimed at improving employees performance. Although performance appraisal information provides input for the performance management process, performance management focuses on ways to motivate employees to improve their performance. Again, the goal of the performance management process is performance improvement, initially at the level of the individual employee and ultimately at the level of the organization. The ultimate goal of performance appraisal is to provide information that will best enable managers to improve employee performance.

Performance appraisal in the modern organization is a system by which employees are provided with feedback about their performance and help the organization to make decisions about rewards and sanctions (Babalola, 1998 and Umoh, 2001). The aim of an organisation is to achieve its goals and objectives, and out of the four elements that make up the organization resources i.e. Man, Money, Materials and Machines; Man is considered the most important since he is responsible for the success or failure of the organization (Abedi, 2004; Aghassi, 1999; Alo, 1999; Banjoko, 1996 and Pulakos, 2004). Performance Appraisal is the most powerful instrument for mobilizing employees in organizations in order to achieve the strategic goals of the organizations.

Previously, researchers like Bartlett and Kang (2004); Schuler, Farr and Smith (2008) and Seifert, Yukl and McDonald (2003) opined that performance appraisal is a step where the management finds how effective it has been at hiring and placing employees. However it has been a major observation that performance appraisal has been wrongly perceived by the employees, and the traces of its negative effect on their performance has been a major concern and a threat in achieving optimum result by the human resources managers, this challenge however has been observed to have emanated from the lapses in performance management processes. Performance Appraisal systems need to be effective in improving or sustaining employee performance and development otherwise they are a tremendous waste of time and resources spent on development and implementation (Zingheim and Schuster, 2007; Ojo, Oyeniya and Adeniji, 2007).

Statement of Research Problem

Over the years performance management has been a core culture implemented in so many organisations including the banking sectors, the

human resources department always seeking to maximize the resources within the organisation for better productivity therefore conducting performance appraisal on the employee's performance.

In order to achieve the organisational overall goal, there is need to effectively monitored individual performance. There has been a concern about the disparity between most organisation goal and employee's performance because performance appraisals in an organisation are not tailored toward measuring productivity but instead focusing only on employee length of service. Therefore, the study seeks to examine the importance of performance appraisal on organizational productivity.

Research Objectives

The broad objective of the study is to examine the effect of performance appraisal on organizational productivity other specific objective are to:

- i. assess the impact of performance appraisal result on organizational productivity.

Research Hypothesis

HO₁: Performance appraisal result does not have impact on organisational productivity.

Literature Review

Conceptual Framework

Formal appraisal has become a widespread instrument of human resource management. Bladen (2001) saw Performance Appraisal as the process of evaluating the performance and qualifications of the employee in terms of the requirement of the job for which he is employed, for the purpose of administration including placement, selection for promotion, providing financial rewards and other actions. According to Boswell and Boudreau (2001), Performance Appraisal can be described as a systematic attempt to distinguish the more efficient workers from the less efficient workers and to assess the strength and weaknesses an individual has across many job elements.

Coens and Jenkins (2000) described Performance Appraisal as a measurement of how well someone performs job relevant tasks. Most modern organisations rely upon some forms of performance appraisal system to provide employees with feedback about their performance and to help the organization make decisions about such things as pay increases and promotions (Cleveland, Murphy, and Williams, 1989; Landy and Farr, 1980; Oshionebo, 2000). Studies on performance appraisal dates back at least as far as the early 1920's and has continued to the present day. Therefore, it would seem reasonable to assume that practitioners could look to this work and find out how to design and implement performance appraisal systems that would help organizations improve individual performance. Yet this is not the case. In fact, practitioners continue to complain about how academic research in this area has been of limited usefulness, and how academic continues to bemoan the state of affairs on the practice front (Colquitt, Conlon, Wesson, Porter, and Ng, 2001; Smither and Walker, 2004; Soroush, 2000).

Purpose of Performance Appraisal

1. As a basis of reward allocation such as salary increments, promotion and other rewards etc. In performance appraisal systems, slow and fast working employees are identified. Under compensation, rewards and recognition plans the employees are given higher pay scales, higher incentives for better performance and appreciation for the work. Sometime the cases of good performers are recommended for further promotion. It leads to development and motivation of employees.
2. Performance appraisal will point out the weaknesses of employees and will spot the areas where development efforts are needed. The weaknesses in initiatives, leadership quality, problem approach, behaviour, discipline, difficulties faced during the work and competencies for performing the tasks. The deficiencies can be pinpointed. Performance appraisal is a tool for identification of deficiencies. On the basis of identification, the remedial action can be taken to overcome the deficiencies. This way the performance of employees may improve to a good extent.
3. It can be used for the selection and development programme. It will differentiate satisfactory performers from unsatisfactory ones. The performance appraisal will help the management to perform functions relating to selection, development, salary, promotion, penalties, lay-off and retrenchment.

Characteristics of Successful Appraisal Programme

The performance appraisal is the evaluation process in which the information are gathered, recorded, measured and analyzed relating to the performance of the employees. In a standard organization, performance appraisal requires set of activities needed to be performed in a logical sequence before there can be an outcome. To perform the task of evaluation, these steps are required:

1. **Establishment of performance standards:** These usually evolve out of job analysis and the job description. The performance standards should be clear to achieve the objectives. It is required that these should be understood and measured. Management is expected to identify and prioritize the goals of the organization. Thereby establishing what the standard for work performance should be and on that ground appraise what the performances of employee has been to ascertain whether it falls within the stipulated standard
2. **Communication of performance standards and expectations:** Once performance standards are established, it is necessary to communicate these expectations. It should not be a part of the employee's job to guess what is expected of them. Unfortunately, too many jobs have vague performance standards. The problem is compounded when these standards are not communicated to the employee. There is therefore a need for prior notification of the level of performance required of the employee; these will give a clear idea to the performers regarding what are expected from them on job. More transference of information from the manager to the subordinate regarding expectation is not communication.
3. **Comparison:** This task in appraisal process relates to the comparison of actual performance with standards. In first step the performance standards have been decided and in second stage the actual performance is measured. Now in this step the actual performance is compared with the prefixed standards. The attempt in this step is to locate variations between standard performance and actual performance so that one can proceed to the next step in the process. The deviations in quality, quantity, time, cost, competencies, behaviour, leadership, initiative etc can be identified. The slow and fast working persons can be identified through this comparison. If the comparison is not carried out then the goals and performance cannot be aligned to meet the planning requirements.

4. **Appraisal feedback:** This step in performance appraisal involves gathering of information related to appraisal, analysed and discussed with the employee. The appraiser discuss with concerned employee regarding the strengths he has shown during the work. The place where he finds himself in a good position, the good performance he has given and the required competencies he has at present. Focus is also given on the weak points of the workers and through discussion these areas are identified. Further, the employee discusses the difficulties faced with the work due to him, machines, working procedure of any other reason. The ultimate goal of this is to improve the working of the employees as well as organization. Employees get feedback from the appraiser regarding their performance which could either be positive or negative points. Simultaneously they get the counseling, coaching and suggestions for better working.
5. **Corrective, motivation and development action:** The last step in the appraisal process is the initiation of corrective, motivation and development action when necessary. Corrective action can be taken at the earliest to remove the cause of the problem. The performance may be poor due to workers, machines, working method, environmental etc. The immediate action will be initiated so that the problem can be corrected and it should not affect the performance adversely. Next, the actions will be taken to motivate the persons by identifying rewards, recognition, incentives, compensation and promotion. This will motivate as well as correct the behaviour of employees. Finally, the management take action for further education, training, improvement in working procedure and replacement of old technology. The ultimate goal of this stage is to remove the problems so that in present as well as in future the performance should not be affected.

Types of performance Appraisal

- (i) **Rating scale:** This is the oldest and most popular method of evaluating individual's performance. In this technique the appraiser judges the employee's performance along a scale from low to high. The appraiser rates employee's work and traits such as output, dependability, loyalty, initiative, cooperation, attendance and the likes as poor, average, good, very good, excellent etc. Rating is the subjective opinion of the appraiser about the individual work or particular trait. This is noted on the appraisal form against each criterion or trait. The ratings may be assigned numerical values or

scores, so that an average can be calculated and a comparison be made. For example, poor standard may indicate no or zero score, fair, acceptable, good and excellent rates may have 1, 2, 3 and 4 scores respectively. Score for overall performance can be determined and compared in case of each employee. Sometimes grades A, B, C, D, E may be assigned as a rating measure. A- for excellent performance, B- for very good, C- for good, D- for average and E- for poor performance.

- (ii) Checklist method: The appraisal form in this technique is a checklist of statements or words which describes employee's performance or behaviour. The rater reads the same and rates the employee against that statement. It is in the form of yes-no response. The rater marks yes if he is in agreement with the statement or description. Marks no if employee does not agree with the statement. Finally the total of yes and no are taken into account. Sometimes, personnel department may assign weights to each item or statement of the checklist according to its importance for evaluating performance. This is known as weighted checklist rating method. Weighting helps in quantifying rating.
- (iii) Forced choice method: In this case the appraisal form contains different sentences, each of them contains a pair of positive or negative statement relating to various classes of characteristics, such as learning ability, co-operation, leadership, dependability, loyalty, attendance, work performance etc. In each item, the appraiser or rater has to choose that statement out of the two, which fits the employee most. For example, if both the statements in an item benefit the employee performance, the rater has to discard any one. Hence this technique is known as forced choice method. For instance, take the item - 'has sound job knowledge.... works hard.' If both statements benefit an employee, in this method, the rater has to choose only one of the two. The other is overlooked. The appraisal may be faulty on this account.
- (iv) Critical incident method: In this technique, the rater records an extreme or extraordinary behaviour displayed by the employee when he works on the job. This will assist him to appraise his performance. The incidents that take place may indicate positive or good behaviour of the employee or his negative or bad behaviour e.g. in case of a fire, the employee might have shown an exemplary courage. Without worrying about life risk he controls the fire. Another example, when there is an income tax department raid in the company office and the finance manager is not available in office. The dealing persons shows the initiative to handle the situation very effectively by explaining

every points asked by the income tax inspector. The incidents are noted in a critical incident sheet. These are taken into account while evaluating employees' performance in critical situations.

- (v) Field review method: In this method a specialist of the personnel department goes into the field and helps the supervisor in rating the employee. The work of the employees is observed actually in the field. The observer sees the nature of job, environment in which the job is performed, the climatic conditions, difficulties faced, working conditions, methods used for working, facilities available to the workers, risks involved in the jobs. The specialist prepares an evaluation based on the observation and information provided by the immediate supervisor about the performance of the employee. It is forwarded to the supervisor for review, modification or for discussion with the employee. The only difference is that a skilled specialist fills up the appraisal form.
- (vi) Performance test and observation method: The purpose is to test the knowledge and skills of an employee. He is evaluated either by giving him a paper-pencil test or he is required to demonstrate his skill in a practical situation. For example, a baker may be asked to prepare a cake or a mechanical engineer may be required to locate a fault in a defective machine. It depends upon the type of the job. For a typist a letter can be given for typing. On the basis of work the assessment can be done. A programmer can be given a task to design a program for that task. Receptionist can be given a task to contact vendors or customers and simultaneously the conversation can be monitored.
- (vii) Annual confidential reports (ACR): These reports relate to the performance of employees and they are kept quite confidential. They are prepared by superiors on the basis of their judgements, observations and intuitions. The subordinate is not permitted to see his report on performance. The whole process is conducted without disclosing any information out of it to any concerned person. The employee does not get any feedback about his performance, shortfalls and strengths. They are kept in dark. The scope for self-development is very less in this. Generally it is being used in government organization.
- (viii) Factors and points method: In this method the factors affecting the performance of employees are identified. The factors may be performance standard achieved, behaviour, competencies, leadership quality, initiatives to solve the problems. There may be other less important factors which may or may not be considered. Every factor

is given points or marks as per their relating importance. Finally the total of all factors is taken.

- (ix) Ranking method: It is very simple and easy method of judging the work of employees in a group. Ranks are assigned in order of their performances. In fact the workers on the basis of their performance can be ranked like first, second, third, fourth and so on. This method can be used independently or it can be used with factors and points method jointly.

This is explained with the above method. In factors and points method the points are given to each employee on the basis of performance criteria. Further, the ranks of employees' performance are decided on obtained mark. Employees differ in their performances. The best performer is ranked first and the worst worker is ranked last. The ranks to others are assigned in between the two. Thus in a group of 10 employees, there are 10 ranks to be given to them in order of their evaluation. The best employee may be assigned rank 1, while the weakest rank 10. This method suffers from 'halo' effect. The evaluation is based on subjective opinion. Moreover, it does not bring out the extent of difference between them. Sometimes there may not be much difference between the two, but human bias may play its role.

- (x) Paired comparison method: This is a slight variation of ranking method. In this method, performance of each employee is compared with the performance of each of the others and the rater has to select the better out of each pair, taking only one pair at a time. How many times an employee is better pair wise is computed and one who is considered the best is ranked 1. For example, if there are 10 employees in a group, they might comprise 45 pairs amongst them for comparison. The total number of comparison is computed by the formula $n(n-1)/2$. If the number of employees to be evaluated is 15, then the number of comparisons to be made will be $15(15-1)/2$ i.e. 105.

- (xi) Forced distributions: In this method, the employees are rated and classified into categories such as best 10%, next 20%, middle 90%, next 20% and lowest 10% of employees. They are placed in their respective groups or they are categorised as outstanding, above average, average or satisfactory, below average and poor respectively in view of the given percentages. The problem with this method is that if the employee falls in one category more than specified percentage, they cannot be rated in that category. They will be shown lower or upper category.

- (xii) **MBO System and Other Methods:** There are some methods which are future-oriented. They evaluate employee potential for future performance. They also aim at setting future performance objectives. The important techniques that may have a bearing on future performance goals are self-appraisal, management by objectives approach, BARS, 360 degree appraisal method etc.
- (xiii) **Self-appraisal:** A large number of enterprises use self-appraisal technique for further improvement of performance. Under this method, the employee has to evaluate himself against predetermined standard. Such self-evaluation assists the employee to understand his strengths and weaknesses. He can know the areas where he is lacking and hence requires improvement.
Thus self-appraisal leads to self-improvement and self-development and is helpful to personal goals or objectives for future performance. The drawback of this method is that the employees appraise themselves very high. The appraisal is not realistic. Everyone is interested to show his aggravated rating. That misguides the management.

Effects of Performance Appraisal on organizational Productivity

Competent appraisal of individual performance in an organization or company serves to improve the overall effectiveness of the entity. Kane & Lawler (2009), indicated that, the three main functional areas of performance appraisal systems are administrative, informative, and motivational. Appraisals affects the administrative in that it serves 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 fulfilled when the appraisal system supplies data to managers and appraises about individual strengths and weaknesses. Finally, the motivational role entails creating a learning experience that motivates workers to improve their performance. When effectively used, performance appraisals help employees and managers establish goals for the period before the next appraisal. Studies established that organization utilized targets, accomplishments, organization goals, time management and efficiency for performance measure purposes.

Theoretical Framework

Justice Theory

Evaluation involves employee performance comparison with the objectives that has been described in the beginning of the appraisal period (Lillian, Mathooko&Sitati, 2012). More recently, Roch and Shanock (2006) used exchange theory to incorporate all four justice dimensions into one theoretical framework. They found that procedural, interactional, interpersonal, and informational justice were related to social relationships, either with the organization (i.e. procedural justice) or with the supervisor (i.e. interactional, interpersonal, and informational justice), whereas distributive justice is related more to an economic exchange relationship. In the current study, we draw upon this integrative framework and apply it specifically to a performance appraisal context. Below we discuss relevant performance appraisal literature pertaining to each of the four justice dimensions.

- *Procedural justice perceptions*; According to Rosenzweig and Nohria, (1994) model, judgments will depend on the relative weighting of the perceived fairness of the structural components of the performance appraisal procedure. Three specific procedures have shown prominence in the performance appraisal research (assigning raters, setting criteria and seeking appeals). Folger *et al.* (1992) and the subsequent empirical work by Taylor *et al.* (1995) emphasized the importance of setting criteria and seeking appeals. Silverman and Wexley, (1984) found that participation in construction of behaviorally anchored rating scales led to favorable perceptions regarding the performance appraisal interview process and outcomes. Stratton (1988), found that perceptions of appeal procedures were positively related to evaluations of supervisors, trust in management, and job satisfaction.
- *Distributive justice perception*; Distributive justice is deeply rooted in the research of the original equity theorists. There are two types of structural forces associated with the distributive justice of a performance appraisal as an outcome. The first type is decision norms (e.g. equity), structured to conform to existing social norms, like equity. Raters, however, may also feel driven to develop appraisals that conform to other distribution norms such as equality, need, or social status which may seem unfair to those being rated (Leventhal, 1980). The second type of structural force relates to the personal goals of the rater (e.g. to motivate, teach, avoid conflict or gain personal favor). Whether employees consider a particular

appraisal as fair or unfair can depend on their perceptions of the rater's goals. Employees may consider an appraisal as fair if they perceive that the evaluator is trying to motivate them, improve their performance or expand their perceptions of their own capabilities. Goals that may not be perceived as fair can include conflict avoidance, favoritism and politics.

- *Interpersonal justice perceptions*; Interpersonal justice concerns fairness perceptions that relate to the way the rater treats the person being evaluated. Greenberg (1986) provided evidence that individuals are highly influenced by the sensitivity they are shown by their supervisors and other representatives within the organization. This is especially true when raters show concern for individuals regarding the outcomes they receive. Specifically, Greenberg found that apologies and other expressions of remorse by raters have been shown to mitigate ratees' perceptions of unfairness.
- *Informational justice perceptions*; Informational justice concerns fairness perceptions based on the clarification of performance expectations and standards, feedback received, and explanation and justification of decisions. Like procedural justice, the focus is on the events which precede the determination of the outcome, but for informational justice, the perceptions are socially rather than structurally determined. Information about procedures can take the form of honest, sincere and logical explanations and justifications of any component of the allocation process. In the context of performance appraisals the most common interactions will involve the setting of performance goals and standards, routine feedback, and explanations during the performance appraisal interview.

Methodology

The research design adopted is survey method. The population for the study is the entire staff of Guarantee Trust Bank PLC in Ilorin, Kwara State with a total number of One Hundred and Eighty Five (185). Purposive and Simple random sampling techniques were used to select 80 staffs for the study. Primary data were used for the study. Questionnaire was employed as instrument of primary data collection. 80 copies of questionnaire were administered to the respondent. Regression analysis, multiple regression analysis was used to test the research hypothesis.

Test of Hypothesis

H₀₁: Performance appraisal result does not have impact on organisational productivity.

Table 1 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.835 ^a	.753	.731	.28665

a. Predictors: (Constant), Performance Appraisal Result

Source: Author's Field Survey, 2017

Table 1 reveals that the coefficient of multiple determinations is 0.753; the implication of this is that about 75.3% of the variation in Performance Appraisal Result is explained by variables in the model; while the remaining 24.7% is explained by other factors which are not included in the model. The regression equation (model formulated) appears to be very useful for making predictions since the value of R^2 is close to 1.

TABLE 2: ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	208.211	1	69.303	836.176	.000 ^a
	Residual	7.949	78	.083		
	Total	216.160	79			

a. Predictors: (Constant), Performance Appraisal Result

b. Dependent Variable: Organisational productivity

Source: Author's Field Survey, 2017

The calculated ANOVA table is analysed to see if *any* of the variables are significant. The F-statistic is compared with 1 and 78 degrees of freedom using stats tables. From the ANOVA table, $F = 838.179$, $p\text{-value} = 0.000 < 0.05$ (sig.)

Since $p\text{-value} < 0.05$ (critical value), the null hypothesis is rejected and the alternative accepted. This implies that at least one of the predictors is useful for determine Organisational productivity; therefore the model is useful.

Table 3 Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.848	.086		9.854	.017
Performance Appraisal Result	.909	.034	.897	26.511	.000

Source: Author's Field Survey, 2017

a. Dependent Variable: Organisational productivity

Table 3 shows the coefficient of the regression model. The intercept and slope (i.e. B) as reflected in the table are 0.848 and 0.909 respectively. This could be written in model form as $y = 0.848 + 0.909x$. Where y = "Organisational productivity" and X = "Performance Appraisal Result".

Decision Rule: As a result of the outcome, the Null Hypothesis (H_0) is rejected on the basis that the p-value is less 0.05. Hence the alternative hypothesis is accepted, Performance appraisal result have impact on organisational productivity.

Conclusion and Recommendation

In this study, efforts were made to evaluate the impact of performance appraisal on organisational productivity using Guarantee Trust Bank as a case study. The regression analysis indicated that performance appraisal have strong impact on organisational productivity.

The impact of performance appraisal result on organisation's productivity towards the actualization of the organisation goal cannot be over emphasized, it is therefore important that an organisation keep the performance appraisal result very transparent and follow the procedures of their chosen appraisal technique in order to keep their organisation more productive.

The recommended that performance Appraisal team should endeavour to keep the process very transparent with the employees by adequately communicating result of individual performance which serves as an effective mean of motivating worker toward high productivity.

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