

Impact of Performance Appraisal on Employees Motivation and Performance- Evidence from Food and Beverage Industry

Olanipekun, W.D.

Department of Business and Entrepreneurship Kwara State University Malete E-Mail: olanipekundamilola@yahoo.com

Brimah, A.N.

²Department of Business Administration University of Ilorin Ilorin, Nigeria

Brimah, B.A.

²Department of Business Administration Al-Hikmah University Ilorin, Nigeria

Rabiu, R.O.

Department of Business Administration, National Open University of Nigeria Ilorin, Nigeria mailtiny@yahoo.com

*Corresponding Author

ABSTRACT

Human resources is the most important resources an organization can boast of in the 21st century workplace since organization are run and steered by people. The performance of an organization is dependent on the sum total of the performance of its members. This makes performance appraisal to be indispensable to any organization. This study examined the impact of performance appraisal on employee motivation and performance in Dangote Flourmills, Ilorin, Kwara State, Nigeria. Data was sourced with the aid of a questionnaire, while percentage and regression analysis were used for data analysis with the aid of the Statistical Program for Social Sciences (SPSS). Findings indicated employee performance appraisal was generally high and this increased job satisfaction and enhanced employee performance. The study recommended that performance appraisal should not be perceived just as a regular activity but its important should be recognized and communicated down the line to all the employees.

Keyword: Employee, Performance appraisal, Motivation, Organization, Performance

Aims Research Journal Reference Format:

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1. INTRODUCTION

Human resource is the greatest asset of every organization as it represents a critical success factor in every organization and every field of human endeavor. Thus, it has to be effectively managed if organization is to achieve their maximum potentials and goals. The dynamic nature of business environment and the quest for repositioning business organization to achieve excellence puts pressure on the management of human capital for sustained results (Olanipekun, Brimah and Ajagbe, 2013).



This is why the success of any organization depends on the quality and characteristics of its employees. The employees become a significant factor in any organization since they are the heart of the company. Organizations simply cannot achieve their goals and objectives without them. However, it is a fact that any employee for that matter needs something to induce him or to look forward to so that he is motivated to work at the best interest of the company. This indeed was indicative of the more strategic approach to Human Resource Management (HRM) policies which sought to connect the aims of the organization to the performance of the individual. The organization's key aims, goals and objectives become an embedded part of the process in the performance management and communicated through the performance appraisal process (Marchington & Wilkinson, 2005).

Armstrong and Baron (2005) defined performance appraisal as "a more limited approach which involves managers making top-down assessment and rating the performance of their subordinates at an annual performance appraisal meeting". Armstrong (2006) describe the role of the performance appraisal as a tool for looking forward to what need to be done by people in organization in order to achieve the purpose of the job to meet new challenges. Better use of technology skills and attributes (Szilagy &Wallace, 1990) in addition will develop both organizational and the individual capabilities and reach agreement on areas where performance needs on the effectiveness of its employee generating information which influences many of the organizations decision. Annual performance appraisals enable management gauge and monitor whether institutional standards, expectations and objectives, and delegation of responsibilities and tasks are achieved. Staff performance appraisals also establish individual training needs and enable organization to identify training needs analysis and planning. According to Cook and Crossman (2004), performance appraisals are important for employee motivation, attitude and behaviour development, communicating organizational aims and fostering positive relationships between management and employees.

Performance appraisals provide a formal, recorded, regular review of an individual's performance and a plan for future development. In short, performance appraisals are vital for managing the performance of employees in the organization. To achieve the organization targets there is the need for the employee and manager to discuss targets to be achieved, so that the former is genuinely able to commit to the challenge (Perez and Falcon, 2004). In Nigeria, most of the performance appraisal exercise/program are not well designed and focused. Management of organization tends to view it as a punitive measure. This makes it lose its objective sound focus, performance appraisal no longer seek to actualize its objective of correcting deviations, hence increasing productivity and jettison all hindrances that tends to hinder productivity. But it is being used as a tool for subordination oppression, victimization and exploitation. Despite the veritable return at performance appraisal to many organizations, the societal value system has subdued it objectivity and its attendant's outcomes. This makes most of our performance more subjective than objective.

From the foregoing, the objective of this paper is to investigate the impact of performance appraisal on employee motivation and performance. The paper is divided into five sections. Section one is the introductory part of the paper. It provides a concise overview on the paper. Section two attempts a review of the literature which consists of conceptualizing and defining performance appraisal, employee motivation, and the empirical framework. Section three highlights the methods and materials used for the research with justification for its adoption. Section four, presents the findings of statistical analysis. Section five concludes with recommendations.

2. LITERATURE REVIEW

2.1 Theoretical Framework - Theory of Expectancy

Performance is the function of motivation and ability: the combination of ability and effort gives rise to performance. This is even as satisfaction is the function of obtained results and individual's understanding from justice and fairness depends on the realization of these results. There are two kinds of reward: Inner rewards like assessment nature of task, satisfying the need of fame by performing the task, etc. External rewards like money, status and the like.



The criterion for justice and reward is whatever the individual feels he must receive after considering what others get from doing the same task. Victor Vroom (1964) was the first to develop an expectancy theory with direct application to work settings. The theory is more concerned with the cognitive antecedents that go into motivation and the way they relate to each other. That is, *expectancy theory* is a cognitive process theory of motivation that is based on the idea that people believe there are relationships between the effort they put forth at work, the performance they achieve from that effort, and the rewards they receive from their effort and performance. In other words, people will be motivated if they believe that strong effort will lead to good performance and good performance will lead to desired rewards.

Expectancy theory is based on four assumptions; One assumption is that people join organizations with expectations about their needs, motivations, and past experiences. These influence how individuals react to the organization. A second assumption is that an individual's behavior is a result of conscious choice. That is, people are free to choose those behaviors suggested by their own expectancy calculations. A third assumption is that people want different things from the organization (e.g., good salary, job security, advancement, and challenge). A fourth assumption is that people will choose among alternatives so as to optimize outcomes for them personally (Vroom, 1964).

Lunenburg (2011) opined that expectancy theory based on these assumptions has three key elements: expectancy, instrumentality, and valence. A person is motivated to the degree that he or she believes that (a) effort will lead to acceptable performance (expectancy), (b) performance will be rewarded (instrumentality), and (c) the value of the rewards is highly positive (valence).

2.2 Conceptual Review

2.2.1 What is Performance Appraisal?

Beach (1975) defines performance appraisal as the systematic evaluation of the individual with regards to his/her performance on the job and his potential for development. Thus performance appraisal is a systematic way of judging the relative worth of an employee in performing his task. It helps identify employee who are performing their tasks well and also those who are not and the reasons for such poor performance. Ivancevich (2004) defines performance appraisal as any system of determining how well an individual employee has performed during a period of time, frequently, used for determining merit increase. Flippo (1984) defines performance appraisal as the systematic, periodic and an impartial rating of an employee's excellence in matters pertaining to his present job and his potential for a better job. Performance appraisal is the process of evaluating employee performance with a view towards improving it. It is a diagnostic tool for assessing employee performance against set objectives and identifying their potentials for improvement and development. It is a crucial activity of the personnel function and the management of human resources, and the underlying objective is to improve the performance of individuals leading to improvement in the performance of the organisation as a whole. Performance appraisal is a systematic and objective way of judging the relative worth or ability of an employee in performing his/her task (Khanka, 2012).

Performance appraisal is a managerial process that links corporate objectives, performance standards and evaluation to which the performance reviews or performance appraisal are often applied (Pickette, 2003). In its broadest sense, performance appraisal serves three major purposes within an organization, namely, administration, development and communication (Scott & Einstein, 2001). In the organizational setting, performance appraisal is defined as a structured formal interaction between a subordinate and supervisor, that usually takes the form of a periodic interview (annual or semiannual), in which the work performance of the subordinate is examined and discussed (Moorhead & Griffin, 1992; Sabeen & Mohboob, 2008). In the performance appraisal, the focus is to identify weaknesses and strengths as well as opportunities for improvement and skills development (Aguinis, 2007).



Contrary to the above view, Shen (2004), the performance appraisal is the process of identifying, observing, measuring, and developing human resources in organizations. In order the appraisal system to be effective, the system needs to be accepted and supported by its employees. At the same time, performance appraisal is a process of judgment and evaluating of the subordinate's performance by the supervisor as well. Griffin and Ebert (2002) described performance appraisal as the "formal evaluation of an employee's job performance in order to determine the degree to which the employee is performing effectively". It is a formal process of employee monitoring (Cardy & Dobbins, 1994; Murphy & Cleveland, 1991) and usually involves "evaluating performance based on the judgments and opinions of subordinates, peers, supervisors, other managers and even workers themselves" (Jackson & Schuler, 2003)

2.3 Purpose of Performance Appraisal

Pattanayak (2012) opined that performance appraisal has been used for basically three purposes – remedial, maintenance and development. According to him, a performance appraisal needs to cover all these three purposes with the same focus. If any purpose predominates, the system will become out of balance. For instance, if remedial purpose is foremost, then the performance appraisal may become a disciplinary tool, a form of a charge sheet, a tool of power instead of instrument of evaluation. If maintenance is the main objective, then the process may become a short, skimped, and per functionary ritual. If there is too much emphasis on development, then the focus falls on the future assignment rather than the current job. Khanka (2012) in a cross examination of organisation practices reveals that performance appraisal is undertaken for variety of purposes.

Performance appraisal is broadly used for meeting the following purposes:

- To identify employees for salary increases, promotion, transfer and lay off or termination of services
- 2. To determine training and development needs of the employees
- 3. To motivate employees by providing feedback on their performance levels.
- 4. To establish a basis for research and reference for personnel decisions in future

According to him, the above four purposes can be divided into two broad categories. Evaluative (compensation decisions, staffing decision and evaluate selection system) and Developmental (Performance feedback, training and developmental needs and feedback for improvement). Pattanayak (2012) opined that the objectives of performance appraisal includes providing basis for promotion/transfer/termination, enhancing employees performance, identifying employees training and developments needs, aiding in designing training and development programs, removing work alienation, removing discontent, developing interpersonal relationship, aiding wage administration, improving communication etc

2..2.4 Motivation

Armstrong (2012) defines motivation as the force that energizes, directs, and sustains behaviour. It is concerned with the strength and direction of behavior, and the factors that influence people to behave in certain ways. Mathis and Jackson (2008) view motivation as the desire within a person that causes that person to act in order to reach a goal. Robbin (2000), offered a specific work-related definition of motivation as the willingness to exert high levels of effort towards organizational goals, conditioned by the effort and ability to satisfy some individual need. Roy (2001) defined work motivation as a process of energizing employees to the work goals through a specific path. The need for motivation at work is borne, mainly, out of its perceived impact on work performance. Cole (2002) enumerated factors such as employees' knowledge, skills, and nature of task, technology in use, management style and organizational climate, as being important determinants of employee performance. However, these factors working alone, according to Cole (2002), are not enough to bring out the best performance in a worker. For an employee to work in a particularly desirable way, and with a given amount of effort and enthusiasm, he needs to be motivated.



Werner *et al* (2012) underscored this by asserting that the most capable employees in an organization will not perform well unless they are motivated. Hannagan (1995) also corroborated this by emphasizing that the key to effective work performance lies in an understanding of human motivation because, according to Linder (1998), motivated employees are more productive and help the organization to survive.

2.3 Empirical Review

Several studies have been conducted on the link between performance appraisal and employee performance, Liza (2012) conducted research on Performance Appraisal System: It's Implication To Employee Performance. The study examined the status of the performance appraisal system of Nass Construction Company and its implication to employee's performance. The respondents of this study were tenured employees. The purposive sampling technique was used in the selection of respondents. Quantitative and qualitative method of research was utilized in the gathering of data Interviews, focus group discussion and survey questionnaires were the main instrument used in this study. The result of the study showed that the performance appraisal system of the company are in place, aligned with the vision and mission of the institution, and is accurate in terms of content and purpose. On the other hand, the results reflected that the performance appraisal system of the company has brought about both positive and negative impact on the employees performance. Further, the respondents identified some major gaps in the implementation of the company's appraisal system: no appropriate rewards are given to best employees, appraisal system was not fully explained to employees, no feedback of results and employees do not participate in the formulation of evaluation tools.

Similarly in another study carried ou by Omusebe, Gabriel and Douglas (2013) on effects of performance appraisal on employee productivity; a case study of mumias sugar Company limited. The study was guided by a case study design. The study targeted a total of 877 Unionisable employees, 422 supervisory level employees, 182 middle level management and 9 top level management. Simple random sampling was used to select 149 employees. The research instruments used for data collection were the questionnaires and interview schedules. Descriptive analysis and inferential statistic i.e. regression analysis and t-test were used. Results indicated that there was a positive and significant effect between performance appraisal and employee efficiency in Mumias Sugar Company Limited.

Furthermore, Obisi (2011) in his study on On Employee Performance Appraisal And Its Implication For Individual And Organizational Growth discovered that organizational performance and its resultant efficiency and effectiveness can only be achieved when individuals are continuously appraised and evaluated. The inability of organization to install an effective performance appraisal strategy has hindered them from achieving competitive advantage which they require more now than ever before. Appraisal processes are not systematic and regular and often characterized by personal influences occasioned by organizations preoccupation to use confidential appraisal system which hinders objectivity and fairness.

Nadeem, Naveed, Zeeshan, Yumna and Qurat-ul-ain (2013) investigated the Impact of performance appraisal on employee's performance and also analyses that motivation affects the relationship of performance appraisal and employee's performance. the study focuses on to find out the impact of performance appraisal on employee's performance. 150 employees were selected as sample by using simple random sampling among the banks of Dera Ghazi Khan. Primary data were collect through standard questionnaire and correlation coefficient was used to analyse the results which indicated that there is positive relationship between performance appraisal and employee's performance. Motivation as a moderator positively affected the relationship between performance appraisal and employee's performance.



3. METHODOLOGY

The survey research is mainly based on primary data collected from employees of Dangote Flour Mills, llorin which constitutes the sample. Simple random sampling technique was used to select the employees so as to give them equal chance of been selected. A total number of 70 questionnaires were distributed out of which only 60 were filled and returned appropriately. The questionnaire was divided into two sections; section A focuses on demographic questions while section B bothers on questions relating to the subject matter of the research. Response format was in 5 point Likert scale forms with indicators ranging from strongly agree to strongly disagree. Regression analysis was used to test the hypothesis at 5% level of significance with the aid of SPSS statistical package.

4. RESULTS AND FINDINGS

Table 1: Demographic Characteristics of Respondents (N=60)

CHARACTERISTICS	CATEGORY	FREQUENCY	PERCENTAGE
Gender	Male	32	53.3
	Female	28	46.7
Age Group	21-30	20	33.3
	31–4 0		31.7
	41- 50	16	26.7
	51 and above	5	8.3
Religion Islam		35	58.3
	Christianity	25	41.7
Education Qualification	SSCE	10	16.7
	ND/NCE	16	26.7
BSC/HND		20	33.3
	Masters and above.	14	23.3
Marital Status	Single	38	63.3
	Married	22	36.7
Years of Experience	1-3	17	28.3
	4-6	28	46.7
	6 years and above	15	25

Source: Author's Fieldwork, 2015

4.1 Demographic Characteristics of the Respondents

The demographic characteristics of the respondents are presented in table 2 below. The table shows that of the 60 respondents, 32(53.3%) are male while 28(46.7%) are female. It also indicates that the respondents within age bracket 21-30 constitutes the majority, which is represented by 20(33.3%), 31-40 are 19(31.7%), 41-50 are 16(26.7%) while 51 years and above has the least population of 5(8.3%). Furthermore, 58.3% of the respondents are Muslims while 41.7% are Christians.

Their educational status showed that 10(16.7%) of the staff respondents were SSCE holders, 16(26.7%) of the staff respondents were NCE/ND holders, 20(33.3%) had Bsc/HND while 14(23.3%) had masters and above. Their marital status showed that 38(63.3%) were single while 22(36.7%) were married. On their years of experience, 17(28.3%) had spent less than 3years with the organization, 28(46.7%) within 3-6 years and 15(25%) spent above 10years.



Table 2: Descriptive Statistics on employee perception of performance appraisal system

S/N	Statement	Frequency	Mean	Std deviation
1	Evaluation results impact behavior, attitudes and morale	60	3.85	1.176392
2	Performance appraisal is used as a decision making tool to increase the performance and set promotion standards	60	3.85	1.176392
3	The current performance appraisal system of the organization is satisfactory	60	3.98	1.200165
4	Effective performance appraisal system affects performance	60	3.75	1.2838
5	There is high level of satisfaction attached to the outcome of the appraisal	60	3.53	1.371213
6	In order to have high performance, it is effective to motivate employees involve at workplaces	60	3.83	1.107244
7	Performance of the employee may be increased by promoting them	60	3.88	1.090664
8	Management communicates with frequently about performance appraisal results	60	3.70	1.239191
9	Giving more responsibility and increasing the authorization for employees is effective to increase their performance	60	3.92	1.07816
10	Performance appraisal system is effectively monitored	60	3.81	1.228085
	AVERAGE	60	3.80	

The mean values in the table indicates that in table 4.6 indicate that the respondents rated averagely on statements of evaluation criteria as represented by mean=3.80. The respondents opined that the results of performance appraisal system impacts on their behavior, attitudes and morale (3.85). Similarly, they agreed that the outcome of the process was used as a decision making tool especially in identifying training needs of employees. Furthermore, the performance appraisal system was satisfactory (3.98) and this in turn influences their performance (3.75). The descriptive statistic tics further revealed that much importance was placed on the outcome of performance appraisal system by employee (3.53) since it is usually effective to motivate them at their workplace (3.83). Also, it was discovered that there is effective monitoring of the performance appraisal system (3.81) even as management normally ensures that the appraisal results is communicated to all members of staff(3.70)

4.2 Research Hypothesis

H₀: Performance appraisal is not significantly related to employee's motivation and performance

H₁: Performance appraisal is significantly related to employee's motivation and performance



4.3 Presentation of Result

Regression analysis enables us to estimate the relationship between dependent and independent variables, the signs of coefficient of the independent variables indicate their nature of relationship with dependent variable while the magnitude of the coefficients implies the responses of dependent variable to independent variables. Hence the estimated regression model used in this study is represented below:

Y = 0.260038 + 0.138305X1 + 0.175908X2 + 0.952199X3

Variable	Coefficient	Std. Error	t-Statistic	Probability
С	0.260038	0.130150	1.997995	0.0506
X1	0.138305	0.097055	1.425009	0.1597
X2	0.175908	0.152493	-1.153550	0.2536
X3	0.952199	0.154051	6.181060	0.0000

R² = 0.930388 F-Statistic = 249.4864 Durbin-Waston = 1.198329 Prob(F-statistic) =0.0000000

From the above estimation;

Y= Employees productivity

X1 = Employees performance appraisal

X2 = Employees involvement in decision making

X3 = employees promotion

The estimation model shows there is a positive relationship between variable Y, X1, X2 and X3. The t-statistic result shows that individual estimated parameter X1 and X2 are not statistically significant since the t-calculated (1.425009 and -1.153550) is less than the t-tabulated (2.0), we accept the null hypothesis. While X3 is statistically significant since the t-calculated (6.181060) is greater than t-tabulated (2.0), we reject the null hypothesis and conclude that there is a significant relationship between the variables at 5%.

The F-statistic is a set of significance of joint variation of the independent variables used in a model. The F-statistic is significant at 5% level, because the probability of its value (0.000000) is less than the critical value of 0.05. Also, the calculated F-statistic value (249.4864) is greater than the F-tabulated value (2.76) with a 3 and 56 degree of freedom. With this, we reject the null hypothesis that is all the variables introduced in the model are jointly significant in explaining if performance appraisal can evaluate employee properly.

Coefficient of determination R²: the coefficient of multiple determinations in 0.930388 That indicates that about 93% of total variation in performance appraisal of employee is explained by the independent variables. The Durbin Waston (D.W) test of autocorrelation indicates the presence of autocorrelation in the residual the model since the D.W value is less than 1.5.



5. DISCUSSION OF FINDINGS

From The estimated regression reveals that there is a positive relationship between X1,X2,X3 and Y. Employees performance appraisal, Employees involvement in decision making and employees promotion are the significant variables that can jointly explain the impact of performance appraisal on employee evaluation. If the level of satisfaction of workers, employees promotion and employees involvement in decision making is high in Dangote plant, ilorin. It will enable efficiency and effectiveness in the performance of workers which will in turn increase the productivity level of employees. In addition, workers productivity of the company will not increase if their performance are not well and regularly appraised by the managers and head of departments of Dangote Plc, Ilorin .

6. CONCLUSION AND RECOMMENDATIONS

It is concluded that research by effective performance management system is a key tool of communication & motivation within the organization. There should be the strong support from management for carrying out fair and transparent performance appraisal system. The frame work for Performance Appraisal system has its core elements as improving individual performance in accordance with organizations performance keeping in mind employee's personnel goal. Organizational capabilities will be built by identifying Key result areas of every individual.

Based on the findings of this study, it is recommended that performance appraisal should not be perceived just as a regular activity but it's important should be recognized and communicated down the line to all the employees. There should be a review of job analysis, job design and work environment based on the performance appraisal. This is even as employees should be given feedback regarding their appraisal so as to help them to improve on their weak areas. Lastly, performance appraisal should be effectively linked to the performance management system of the organization.



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