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## Effects Of Performance Appraisal On Employee Productivity A Case Study Of Mumias Sugar Company Limited

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### **Abstract:**

*The purpose of this study was to investigate the effects of performance appraisal (PA) on employee productivity in 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,  $p < 0.5$ .*

**Key words:** Performance Appraisal, Employee Productivity, Mumias Sugar Company Limited, Customer Satisfaction and Service Quality

### **1.Introduction**

The performance appraisal is the periodic evaluation of an employee's performance measured against the job's stated or presumed requirements (Terry and Franklin, 2003). Mullins (1999) substantiates the necessity of an effective appraisal scheme by saying that it can identify an individual's strengths and weaknesses and indicate how such strengths may best be utilized and weaknesses overcome. A generation ago, appraisal systems tended to emphasize employee traits, deficiencies and abilities. With the development of the employee/organization relations modern appraisal philosophy emphasizes on the present performance and future goals. Modern philosophy also stresses on employee participation in mutually set goals with the supervisor. The underlying philosophy behind mutual setting of goals is that people will work harder for goals or objectives that they have participated in setting. The assumption is that people want to satisfy some of their needs through performing work activities that provide them with a supportive environment. They also need to perform meaningful tasks, share the objectives setting, share the rewards of their efforts and continued personal growth (Dechev, 2010).

The evaluation job performance has been called by many different names throughout the years – a tool of management, a control process, a critical element in human resource allocation and many others. The first appraisal systems have been just methods for determining whether the salary of the employees in the organizations was fair or not. Later, some empirical studies have shown that reduction or future pay were not the main effects of the process. Performance appraisal was recognized as a tool for motivation and development in the United States in the 1950s (Cardy & Dobbins, 1994).

Many researchers and reputable sources criticize the importance of the performance appraisal process. They have expressed debates about the authenticity of the process. Some of them, such as (Daniels 1999), even called it useless and evil. He couldn't see how the appraisal improves performance and characterizes it as a step of firing process. He suggests that "the best performance appraisal is one that is done every day". Another critic, (Derven 1990), explains that if the manager or supervisor is unskilled or couldn't give accurate feedback, then the appraisal process will have only a negative effect. Because of this every organization has to make carefully structured process and have to develop managers to focus activities and efforts and enhance business performance. On the other side, some of the defenders, such as (Lawrie 1990), describe the process as "the most crucial aspect of organizational life".

Most public sector businesses have failed because of ineffective and inefficient performance appraisal system (Esu and Inyang, 2009). In most of the public sector, the performance of staff of executing agencies or public enterprises is limited to budget monitoring and

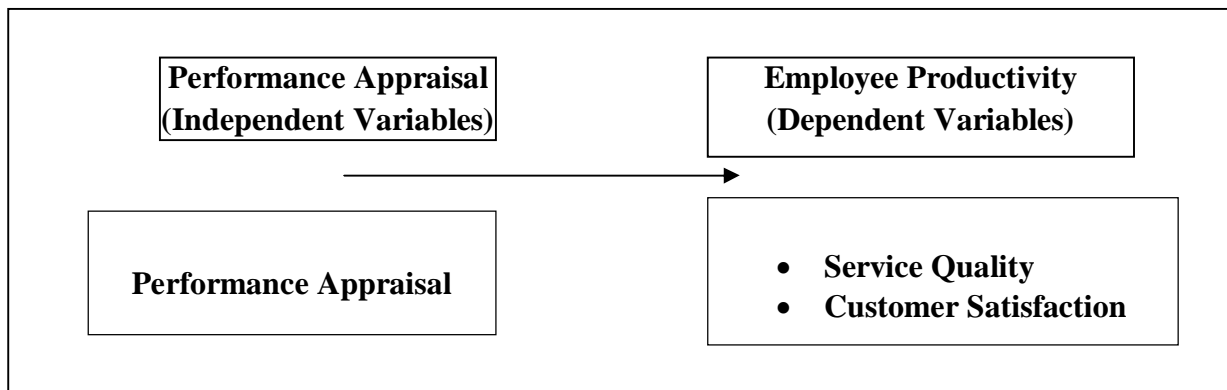
annual performance evaluation (Idemobi and Onyeizugbe, 2011). However, experts are of the view that there is no link between performance appraisal and financial data (Pollitt and Bouckaert 2004). These organizations are required to give adequate attention to performance appraisal reviews to enhance productivity. Records also show that only a few organizations in the public sector are making efforts to embark on a performance appraisal review with the commensurate reward system. Similarly, this has not been well underscored in Mumias Sugar Company Limited and the extent to which performance appraisal affects employee productivity (HR Department of Mumias Sugar Company, 2013). Some informed authorities blame this on managers who do not have adequate information on performance review techniques that could have significant impact on employees' performance for greater organizational effectiveness (Esu and Inyang, 2009). The literature review has also confirmed that there is little empirical evidence on the relationship between performance appraisal and employee productivity in the Mumias Sugar Company Limited. This formed the main concern of the study.

## 2. Research Objectives

- To investigate the effect of performance appraisal on service quality at Mumias Sugar Company Limited in Kakamega County.
- To find out the effect of performance appraisal on customer satisfaction at Mumias Sugar Company Limited, Kakamega County.

## 3. The Study Was Guided By The Following Research Hypothesis

- $H_{01}$ : Performance appraisal has no significant effect on service quality at Mumias Sugar Company Limited.
- $H_{02}$ : Performance appraisal has no significant effect on customer satisfaction at Mumias Sugar Company Limited.



*Figure 1: Conceptual Framework Showing Interactions Of Study  
Source: Researcher 2013*

## 4. Methodology

The study was carried out in Mumias Sugar Company Limited in Kakamega County which is one of the former districts of Western province. Kakamega County is the second largest county after Nairobi County. The study adopted 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. Stratified and simple random sampling techniques were used to categorize and select 149 employees (Unionisable, Supervisory, middle level employees and top level management). Primary data was obtained from the questionnaires and key informant interview schedules. Secondary data were obtained through study of available data from the Human Resource Department of Mumias Sugar Company. The researcher used research assistants who issued, and picked questionnaires from the respondents. The researcher personally filled the interview schedules.

The research adopted the content validity and the supervisors and the research experts in the School of Human Resource Development were used to evaluate the applicability and appropriateness of the content, clarity and adequacy of the research instrument from a research perspective. The pre-test retest was done in an area within the study location. This area was avoided during the actual research undertaking. The questionnaire and interview schedules were used to collect the data. To establish the reliability of the study, Cronbach's Alpha Coefficient was computed and yielded an alpha of 0.89 which was above the threshold value of 0.7 recommended by (Fraenkel and Wallen 2001) and (Mugenda and Mugenda (2003). The results of the pilot study revealed that the research instruments were adequate in content, reliable and valid to measure the opinions of the respondents. The researcher then analysed the data using descriptive and inferential statistical tools like regression analysis and t-test to establish the associations of the study variables.

When granted the research permit from the National Council for Science and Technology (NCST), the researcher liaised with the District Education Officers and human resource departments in Mumias Sugar Company Limited with an intention of collecting data. Confidentiality was observed throughout the study for respondents who gave personal opinions. Data collection is a sensitive issue as

it borders on invading people's private lives, ethical consideration is therefore, of paramount importance in research (Mugenda and Mugenda2003). The researcher ensured that the respondents were made aware of the intended use of the data and that the information obtained was confidential and was not being disclosed or discussed with any unauthorized persons. An effort was made to ensure that the respondents were protected from any psychological harm during data collection. Punctuality was observed to avoid any inconveniences to the respondents.

### 5.Results And Discussion

Results show that respondents were in the age brackets of 40-49 years (48%), 30-39 years (40.8%), 20-29 years (4.8%) and those above 50 years constituted 6.4% of the sample. From these results, it implies that the majority of the respondents (88.8%) were in the age bracket of 30-49 years Figure 2.

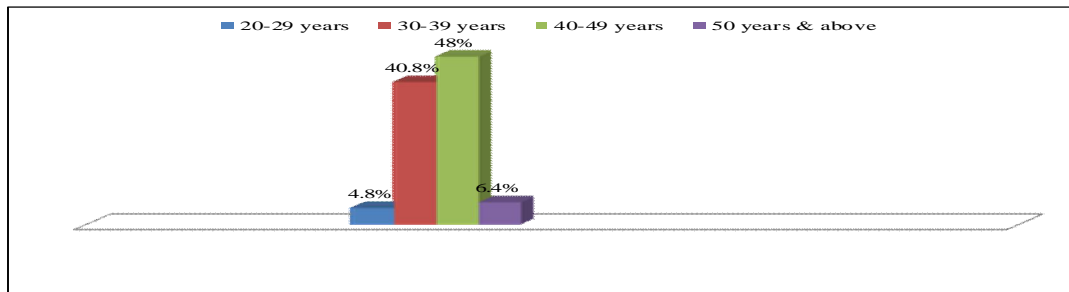


Figure 2: Age Of Respondents

A Chi Square test of independence conducted on the gender distribution among the respondents in Mumias Sugar Company Limited showed that there was a high significant ( $p < 0.000$ ) variation in the gender distribution among the respondents ( $\chi^2_{1,0.00} = 36.804$ ). Findings on the gender of respondents indicated that the male respondents had the highest representation of 100(70.4%) while the female respondents had 42(29.6%). This could be attributed to the fact that the male respondents were more cooperative and available than their female counterparts during data collection exercise (see Figure 3)

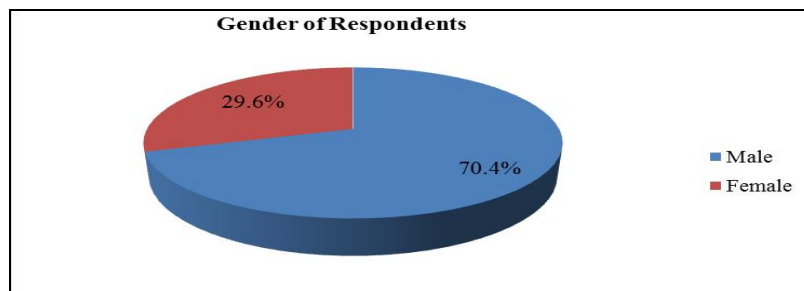


Figure 3: Gender Of Respondents

A Chi Square test conducted on the working experience of the respondents showed that there was a highly significant ( $p < 0.01$ ) variation in the working experience among the respondents ( $\chi^2_{3,0.00} = 94.662$ ) in Mumias Sugar Company Limited. The results pointed out that 42.7% of the respondents had been working for less than 5 years, 39.1% had been working for a period of 5-10 years, 13.3% for a period of 11-16 years and 4.9% had working for more than 20 years (See Figure 4)

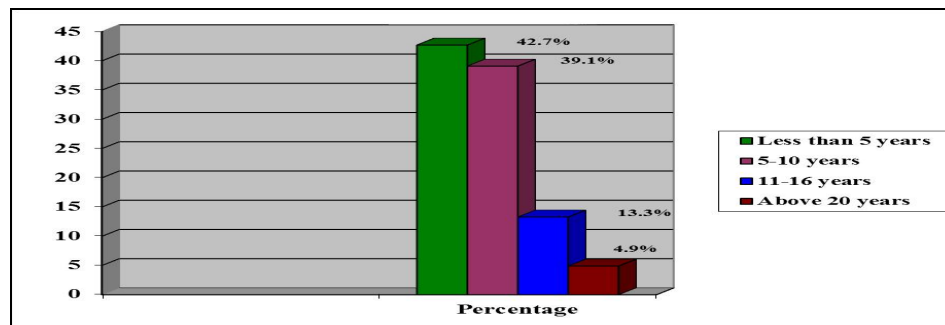


Figure 4: Years Of Working Experience

Results in Figure 5 show that 66.2% of respondents had bachelor's degree, 12.4% had diploma education level and 21.4% had had masters' degrees. This indicated that the majority of the respondents of in Mumias Sugar Company Limited had attained minimum academic and professional qualifications for their profession. The lower number of respondents with master's degree was an indication that fewer respondents were pursuing further studies.

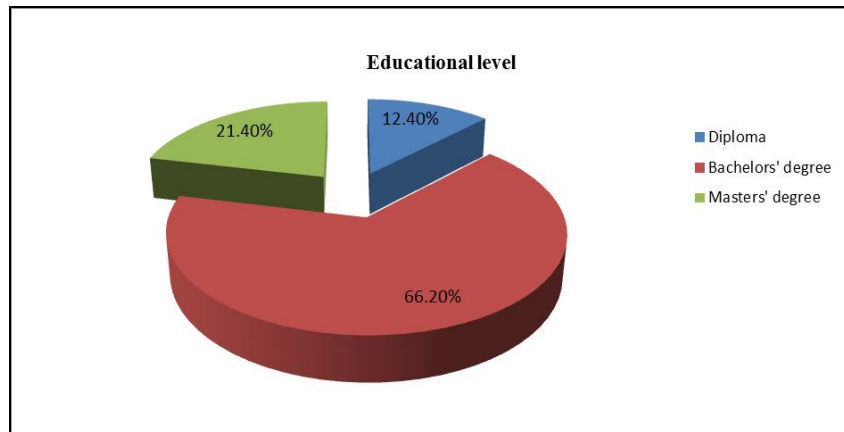


Figure 5: Educational Level Of Respondents

#### 5.1. Effect Of Performance Appraisal On Service Quality

The second objective of this study was to determine the effect of performance appraisal on service quality in Mumias Sugar Company Limited. The results are recorded in Table 1. Results show that there was provision of error-free products to the market (84.5% of respondents agreed while 10.5% of respondents disagreed). The question on whether there was staff sincerity in service received varied responses (24.6% of respondents strongly agreed, 66.9% agreed, 3.5% disagreed and 4.9% strongly disagreed). Most respondents (82.4%) were of the opinion that there was sincerity in solving employees' complaints, 3.5% of respondents were not sure, 8.5% of respondents were undecided while 5.6% of respondents strongly agreed.

Variables	SA	A	Ns	D	SD
There is provision of error-free products to the market	56(39.4%)	64(45.1%)	7(4.9%)	11(7.7%)	4(2.8%)
There is staff sincerity in service	35(24.6%)	95(66.9%)	0(0.0%)	5(3.5%)	7(4.9%)
There is sincerity in solving employees' complains	51(35.9%)	66(46.5%)	5(3.5%)	12(8.5%)	8(5.6%)
There is consistency in offering high services to clients	55(38.7%)	76(53.5%)	0(0.0%)	7(4.9%)	4(2.8%)
Customer enquiries are effectively responded to in time	25(17.6%)	33(23.2%)	46(32.4%)	34(23.9%)	4(2.8%)
Services are efficient all month (no long queues)	54(38.0%)	5(3.5%)	2(1.4%)	75(52.8%)	6(4.2%)

Table 1: Effect Of Performance Appraisal On Service Quality

$N = 142$ ; Strongly Agreed (SA = 5), Agree (A = 4), Not Sure (Ns = 3), Disagree (D = 2), Strongly Disagree (SD = 1)

On the question asking whether there was consistency in offering high services to clients, 38.7% of respondents strongly agreed, 53.5% of respondents agreed and 7.7% of respondents disagreed. The respondents gave different views on the customer enquiries being effectively responded to in time (17.6% of respondents strongly agreed, 23.2% agreed, 32.4% of respondents were not sure and 26.7% of respondents disagreed). Similarly, the question on whether the services were efficient all month (that is, no long queues), respondents gave different responses, for example, 38% of respondents strongly agreed, 3.5% of respondents agreed, 1.4% were undecided, 52.8% disagreed and 4.2% of respondents strongly disagreed.

Regression analysis conducted on the effect of performance appraisal and service quality revealed a positive and significant correlation between these two variables ( $b = 0.752$ ,  $t = 3.07$ ,  $p < 0.05$ ). A strong relationship was established in the variable of provision

of error-free products to the market ( $b = 2.453$ ,  $t = 4.573$ ,  $p < 0.05$ ) while a marginally weak but positive correlation was observed in the variable of services being efficient all month ( $b = 0.286$ ,  $t = 1.747$ ,  $p < 0.05$ ) as illustrated in Table 2.

<b>Model 2</b>	<b>Regression coefficient, b</b>	<b>t-value</b>	<b>p-value/ Sig.</b>
There is provision of error-free products to the market	2.453	4.573	0.000
Staffs sincerity in service	0.506	3.943	0.000
Sincere in solving employees' complains	0.427	3.108	0.001
Consistency in offering high services to clients	0.275	1.086	0.005
Customer enquiries are effectively responded to in time	0.565	3.947	0.000
Services are efficient all month (no long queues)	0.286	1.747	0.000
<b>Overall effect</b>	<b>0.752</b>	<b>3.07</b>	<b>&lt;0.05 (s)</b>

*Table 2: Effect Of Performance Appraisal On Service Quality  
N = 142; S-Significant With P-Value <0.05; Constant/Predictor Variable: Performance Appraisal;  
Dependent Variable: Service Quality*

This implies that when PA is well conducted in Mumias Sugar Company Limited, then service quality is enhanced. The results concur with the findings of Taylor and Baker (1994) who established the link between service quality and loyalty –related outcomes. These studies find a positive relationship between service quality and the customers' willingness to recommend a service firm, advocacy, repurchase intentions, increasing purchasing, willingness to pay premium prices, word of mouth communication and resistance to better alternatives. These represent behavioral outcomes of customer loyalty. Thus, improving service quality may satisfy customers and enhance their loyalty and conversely, negative perceptions of service quality may lead to customer defections (Zeithamlet *al.*, 1996). Therefore, a positive and significant association was found between performance appraisal and service quality in Mumias Sugar Company Limited.

The first hypothesis, Ho1 which states that there is no significant effect of performance appraisal on the service quality in Mumias Sugar Company in Kakamega County was rejected because a positive and significant ( $p < 0.05$ ) relationship was established between performance appraisal and service quality.

### *5.2. Effect Of Performance Appraisal On Customer Satisfaction*

This sub-section looks at how PA influences customer satisfaction in Mumias Sugar Company Limited. This was the third objective. Customer satisfaction was measured through customer expectations, whether customers liked the services and products offered, customer preference of other products than what was offered, what matters most to customers in their purchase decision and customer loyalty evidenced in repeated purchase of products. Simple regression analysis and t-test were performed as illustrated in Table 3 at confidence interval of 95% ( $p < \text{or} > 0.05$ ). From results there was an indication that meeting customer expectations positively and significantly improves customer satisfaction ( $b = 0.260$ ,  $t\text{-value} = 1.312$ ,  $p < 0.05$ ). On whether customers liked the services and products offered, there was a positive association between this variable and customer satisfaction ( $b = 0.246$ ,  $t\text{-value} = 1.297$ ,  $p < 0.05$ ).

<b>Model 3</b>	<b>Regression coefficient, b</b>	<b>t-value</b>	<b>p-value/ Sig.</b>
Customer expectations are understood	0.260	1.312	<0.05 (s)
Customers liked the services and products offered	0.246	1.297	<0.05 (s)
Customers prefer other products than what we offer	0.441	3.755	<0.05 (s)
What matters most to customers in their purchase decision is highly considered	0.362	3.214	<0.05 (s)
There is customer loyalty evidenced in repeated purchase of products	0.267	1.109	<0.05 (s)
<b>Overall effect</b>	<b>0.315</b>	<b>2.14</b>	<b>&lt;0.05 (s)</b>

*Table 3: Effect Of Performance Appraisal On Customer Satisfaction  
N = 142; S-Significant With P-Value  $\leq 0.05$ ; Constant/Predictor Variable: Performance Appraisal;  
Dependent Variable: Customer Satisfaction*

The overall results between PA and customer satisfaction indicated that there was a positive and significant relationship between these two variables ( $b = 0.315$ ,  $t\text{-value} = 2.14$ ,  $p < 0.05$ ). Other variables also had positive and significant association: customers prefer other products than what is offered ( $b = 0.441$ ,  $t\text{-value} = 3.755$ ,  $p < 0.05$ ); what matters most to customers in their purchase decision is highly considered ( $b = 0.362$ ,  $t\text{-value} = 3.214$ ,  $p < 0.05$ ) and there is customer loyalty evidenced in repeated purchase of products ( $b = 0.267$ ,  $t\text{-value} = 1.109$ ,  $p < 0.05$ ). The regression values obtained were below the average of  $b = 0.5$ , an indication that performance appraisal feedback interventions can lead to a decrease in customer satisfaction (Kluger & DeNisi, 1996) as lack of PA feedback could trigger negative attitudes in employees and a widespread dissatisfaction at work. The findings from the interview schedules indicated that some employees were unable to obtain feedback after PA was conducted. This could explain why the regression values were lower than 0.5, an indication of some dissatisfaction among employees.

Lee and Shin (2000) conducted a survey across clerical and technical members (405) of a large Korean academic institute that never provided feedback. The results of the study exhibited that most employees expected their supervisor to give them high appraisal ratings. In cases, where feedback was provided, there was a trend of discontentment as a result of a mismatch of expectations. Author's analysis show that inflation in the expectations is caused before the feedback, which is a predictor of employee's attitude towards his or her supervisor, job satisfaction and organizational commitment. Even though providing feedback causes a negative attitude towards the appraisal system, it, however, has a positive effect on other employee attitudes. Therefore, there was a positive and significant relationship between the overall results of PA and customer satisfaction.

Therefore, the hypothesis, Ho<sub>2</sub> which states that there is no significant effect of PA and customer satisfaction in Mumias Sugar Company in Kakamega County was rejected on the ground that a positive and significant association was established at  $p < 0.05$ .

## 6. Conclusion

The following conclusions were derived from the study findings:

- Regression analysis conducted on the effect of performance appraisal and service quality revealed a positive and significant correlation between these two variables. This signified that PA if conducted well in an organization leads to improved service quality.
- Study findings show that PA had a positive and significant association on customer satisfaction and this indicated that there was a positive and significant relationship between these two variables. The findings from the interview schedules indicated that some employees were unable to obtain feedback after PA was conducted. This could explain why the regression values were lower than 0.5, an indication of some dissatisfaction among employees.

## 7. Recommendations

The following recommendations were made based on the findings and the conclusions of the study:

- The study findings should help the Human Resource teams to create policies along with performance management program that have a positive correlation with employee productivity and hence overall organizational improvement in Mumias Sugar Company Limited. The Human Resource Managers can use these results to engage employees in a constructive goal forming sessions so that expectations are matched while performance appraisal is done.
- Human Resource Department should provide feedback after PA has been conducted since lack of PA feedback can cause negative attitude towards the appraisal system.
- The findings have managerial implications for training, motivation and provision of resources for effective PA so that the process of PA is conducted fairly and objectively.

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