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Performance Appraisal on Job Performance in the Tema Metropolitan Mutual Health Insurance Authority

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Abstract:

The study was primarily aimed at finding out the effect performance appraisal has on employee job performance at Tema Metropolitan Mutual Health Insurance Authority. This was carried out because of the problems performance appraisals create between appraisers and appraisees when it is being carried out in organizations since most people especially managers and subordinates do not know the effects it has on an organization's performance. In all, 45 out of 60 respondents were sampled. Questionnaires were used to collect data in relation to the topic. Both close-ended and open-ended questions were used. The results were analysed using graphs and tables. The result indicates that performance appraisal has a positive impact on job performance. However, the insurance firm is not enjoying full benefits of performance due to biasness or unfairness, poor supervision, inadequate logistics and lack of education. Since performance appraisal helps in identifying weaknesses in the performance of the employee, we recommend that, once these weaknesses are identified, it should not just be paper work but also training workshops should be organized for employees in order to equip them with the requisite skills they need for optimum performance.

Keywords: Performance appraisal, job performance, perception

1. Introduction

The issue of performance appraisal is very important not only to human resource practitioners but also to all other organizational leaders who guide their efforts towards the achievement of organizational goals. The significance of the concept stems from the pivotal role it plays in measuring employee's contribution toward the achievement of organizational goals in terms of innovative contributions, knowledge, experience and physical strength. The concept of performance appraisal becomes more important to leaders of organizations when it comes to the need to create competitive advantage for an organization through innovation and other competitive strategies. Performance appraisal is actually an evaluation and acknowledgement of employee performance of given responsibilities and accountability. Evaluation and assessment is based on outcomes got by the employee in his or her occupation, not on the employee's personality features.

Organizations worldwide remain committed to the use of performance appraisal system due to the enormous benefits it lends to both management and their subordinates. Despite all these remarkable contributions of performance appraisal to the success of organizations, its implementation has created problems between appraisers and appraisees. The problem emanates from the fact that, most managers and subordinates of organizations do not know the benefit of it and also due to the way appraisal reports are handled in most organizations. Performance appraisals carried out in most organizations are based on subjectivity ratios rather than objectivity and this usually creates problems. The absence of objectivity makes some appraisers engage in certain unacceptable practices hence making appraisals unrealistic and ineffective. Some appraisers use performance appraisals as a period to punish employees who criticize them in one way or the other.

Most at times the required standards for conducting performance appraisals are undermined, making it difficult for appraisees to attain the targets given them against which their performance is measured. A research conducted by Agyenim-Boateng (2006), about performance appraisals in Ghana Co-operative Bank revealed that staff of the bank perceives performance appraisal as a joke and a mere ritual. Given the benefit of performance appraisals to an organization as well as the problems associated with it, there was the need to undertake a study to investigate the effects of performance appraisal on employee's job performance at Tema Metropolitan Mutual Health Insurance Scheme.

Performance appraisal according to Boachie- Mensah and Dogbe (2011) is a periodic formal assessment of work achievement as a basis for future actions and decisions. This helps the organizational leaders to make decisions on employee development and training; promotion, succession planning and awarding of incentives.

According to Mathis and Jackson (2003), just knowing that an employee produces 10 bags per day does not provide a complete basis for judging employees' performance as satisfactory or not. A standard against which to compare the information is necessary. Probably 13 bags are considered sufficient for a day's work. Performance standards define the expected levels of performance and

these are 'benchmarks', 'goals', or 'targets'. Realistic, measurable, and clearly understood performance standards benefit both employees and the organization.

Mullins (2004) stated that, organizations come in all forms, shapes and sizes. However, despite the differences among various organizations, there are at least, three common factors in any organization; people, objectives and structures to which a fourth factor can be added which is management. The quality of these factors determines organizational effectiveness. In every organization, there is the need to evaluate the performance of all personnel to guarantee the effectiveness of their contributions to the achievement of the strategic goals of the organization and to also acquire information about the employees. Performance appraisal is usually done quarterly or annually. It is in the light of the above need that the Tema Metropolitan Mutual Health Insurance Authority has never relented in its efforts to carry out performance appraisal to help improve the effectiveness of its employees. Due to the stiff competition the company is facing, both management of Tema Metropolitan Mutual Health Insurance Authority and the employees have to be more efficient in order to enjoy competitive advantage in discharging their duties, hence the need to appraise performance. As a result, this study seeks to investigate the effects of performance appraisal on employee job performance in Tema Metropolitan Mutual Health Insurance Authority. The next sub heading of the study explains the performance appraisal process and the methods of performance appraisal. The subsequent sections bring forth appropriate methodology, data analysis and conclusion.

1.1. Performance Appraisal Process

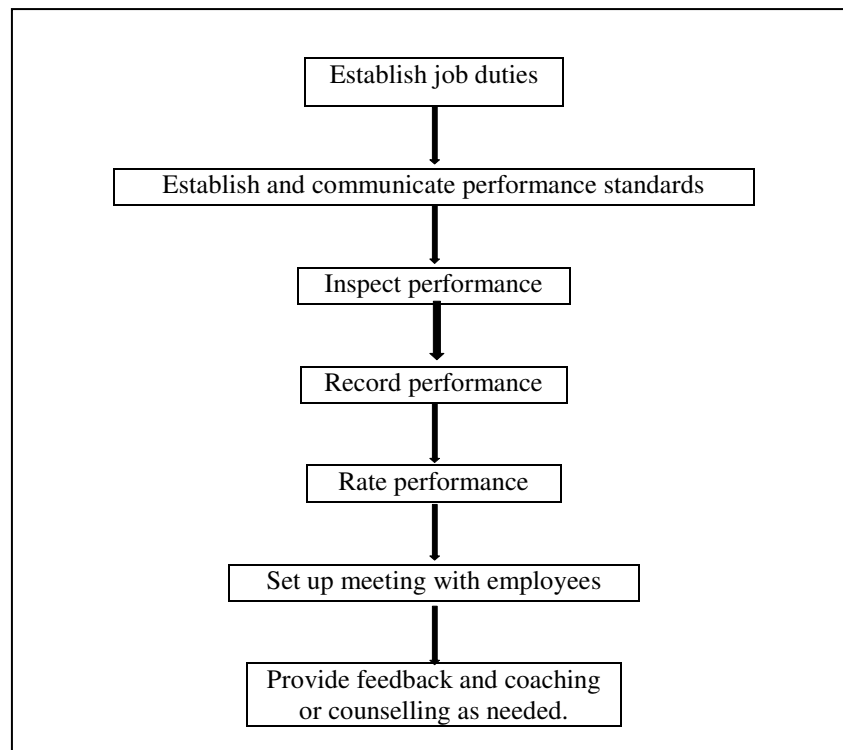


Figure 1: The Performance Appraisal Process.

The issues to be dealt with in the performance appraisal process are:

- Stage1: Establish job duties. Managers of organizations create job duties which enable employees to know the jobs to be performed and what is expected of them. When this is done, employees tend to know the performance levels required of them and how they will be appraised.
- Stage2: Establish and communicate performance standards. Also performance standards against which employee's performance will be measured are made clear to them so that they get a fair idea of the performance levels required of them and how they will be appraised.
- Stage3: Inspect Performance. Employees' performance levels are inspected at all times to ensure that they are kept on track to prevent them from deviating in the course of performing their job duties.
- Stage4: Record Performance. Employees' performance levels are recorded at all times so that managers keep track of how employees are performing and to make appraisals easier and avoid errors.
- Stage5: Rate Performance. After the overall performances of employees have been recorded, employees are rated for them to know how they performed. Rating may be defined as the classification or ranking of someone or something based on a comparative assessment of their quality, standard and performance.
- Stage6: Set up meeting with employees. Managers meet with employees to discuss their performance levels and how they were rated. This helps employees to become aware of their shortfalls and how to improve the next time.

- Stage7: Provide feedback and coaching or counseling as needed. Employees are provided with feedback and counseled as to how to perform their jobs satisfactorily and also how to eliminate errors in the performance of their duties. Where training is needed, employees are made to undertake that training to enhance their performance.

1.2. Methods of Performance Appraisal

➤ 360- Degree Feedback

This is a common performance appraisal method used in most organizations. In this method, whoever conducts the appraisal, mostly the human resource manager interviews the employee, supervisor, peers and anyone the employee reports directly to. This method allows an appraiser to gain a complete profile of the employee in question. In addition to assessing the worker's job performance and technical skills set, an appraiser receives in-depth feedback on the employee's behavior on the job. Measuring areas of subjectivity, such as character and leadership skills, allows an employer to manage an employee's development.

➤ Management by Objectives

Management by objectives (MBO) is another modern method of performance appraisal. This technique was first promoted in the 1950s by management theorist Peter Drucker. MBO requires managers and employees to agree on specific, obtainable objectives with a set deadline. For example, a sales manager may be required to increase his revenue by 25 percent within three months. Once this goal is set, the responsibility is on the sales manager to direct himself towards this objective. With this technique, success or failure is easily defined.

➤ Ratings Scale

This methodology requires an employer to develop an in-depth grading system. This scale is then used to evaluate an employee's success within a variety of areas, such as technical skills set, teamwork and communication skills. There is typically a minimum required grade an employee must receive in order for the performance appraisal to be considered a success. Those that do not make the grade are often put on a performance improvement plan. This method is viewed by some management theorists as an egalitarian way of measuring individual performance.

2. Methodology

2.1. Research Design

In this study, a descriptive research design is employed to analyze the phenomenon. A descriptive research design tries to solicit information concerning the current situation and to describe what exists. Hence, the research seeks to find out the current situation of job appraisal on job performance in TMMHIA. The study employs a qualitative research approach for data gathering. Qualitative research is the collection of in-depth, non-numeric data, traditionally collected face-to-face in an unstructured manner. This research was aimed at investigating the effects of performance appraisal on employee job performance at Tema Metropolitan Mutual Health Insurance Authority.

2.2. Sampling Procedure

In order to obtain a representative sample for the study, a stratified random sampling technique was employed to fish out the views of respondents. According to Fowler (1993), stratified random sampling is used to select samples in situations where the population is heterogeneous but has definite strata or classes which are homogenous. TMMHIA has a total of sixty (60) employees of which forty-five (45) were sampled out. The employees were stratified into two, according to the levels of staff on the chain of command, thus, senior staff and junior staff. This was done due to differences in understanding of the two groups regarding performance appraisal and employee performance. This stratification was done to ensure that the views of the respondents represented the views of the entire staff. The senior staff comprised of five people and junior staff comprised forty (40) people.

2.3. Data Collection

The instrument that was used for collecting data for this study was the administration of questionnaires. Both close-and –open ended questions were used. Under close questionnaire, the study gave out a set of possible answers to questions from which the respondents had to select. The open questionnaire type gave the respondents the opportunity to give answers on their own accounts. Section A tried to solicit information from the respondents which was useful for analysis, interpretation and generalization. It included the respondent's gender, age, number of years served in the company and the level of education. Section B solicited information regarding whether performance appraisal was practiced at Tema Metropolitan Mutual Health Insurance Scheme and other factors that contributed to employee's performance in the Company. Section C tried to seek the perception of employees on available performance appraisal techniques at Tema Metropolitan Mutual Health Insurance to determine the extent to which performance appraisal influenced employees' job performance and determine the effectiveness of these techniques and other evaluation techniques. Section D tried to seek for the effects of performance appraisal on employees' job performance at TMMHIS. Section E solicited information regarding employees level of agreement regarding effectiveness of methods used to appraise performance. Section F solicited recommendations for improving performance appraisal system at TMMHIS.

2.4. Data Source

Both primary and secondary sources of data were used for the study. The primary data was obtained from the staff of the company during the fieldwork. The monthly reports of Tema Metropolitan Mutual Health Insurance Scheme, samples of performance appraisal techniques at Tema Metropolitan Mutual Health Insurance Scheme, documents on staff of Tema Metropolitan Mutual Health Insurance Scheme and performance appraisal policy documents constituted important sources of secondary data for the study.

3. Data Analysis

This subsection discusses the objectives of the research and their findings. It deals with presentation and analysis of data collected from respondents for the study. These respondents were staff of Tema Metropolitan Mutual Health Insurance Scheme. A sample size of forty-five people was taken. Views of respondents were expressed under various topics. Findings on topics which directly impact on the objectives of the study thus, the effects of performance appraisal on employee job performance at TMMHIA, perception employees of TMMHIA have regarding performance appraisal as a reliable tool in assessing staff performance, the nature or method of appraisal used at TMMHIA, training workshops organized after appraisal process, uses of appraisal reports for correction rather than for punishment and the limitations in the performance appraisal process at TMMHIA are discussed in details.

Most of the respondents were females (65%) whereas only 35% were males. Majority of the respondents (85%) have at least senior secondary certificate and the remaining a lower certificate. All respondents have at least 2 years working experience. That is why out of the 60 members of staff, 45 were included in the study.

3.1. Effect of Performance Appraisal System on Employee Job Performance.

Table 1 below shows the effect of performance appraisal system on employee job performance at the Tema Metropolitan Mutual Health Insurance Authority. From the diagram, it can be seen that, 60% of the respondents agree that performance appraisal influences employee job performance. 40% of the respondents indicated that performance appraisal is not an effective tool for employee work evaluation. Although majority of the respondents asserted that performance appraisal has a positive impact on job performance, the number that disagreed is still alarming. Those with the view that performance appraisal does not influence job performance is due to the fact that they do not receive feedbacks for the evaluation done; others keep wondering the importance of performance appraisal because they see it is of no use.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very effective	6	13.3	13.3	13.3
	Effective	21	46.7	46.7	60.0
	not effective	9	20.0	20.0	80.0
	not so effective	9	20.0	20.0	100.0
	Total	45	100.0	100.0	

Table 1: Effects of performance appraisal system on employee's job performance

3.2. Perception of Employees Regarding Performance Appraisal

The graph below points out that 84 percent of the respondents strongly belief that performance appraisal is a very instrumental tool in assessing performance of employees. 4.4 percent of the respondents are unsure whether performance appraisal impacts on employee performance or not. This might be as a result of low level of education of employees on the usefulness of performance appraisal. However, majority of the respondents postulated that performance appraisal is a reliable tool for performance evaluation.

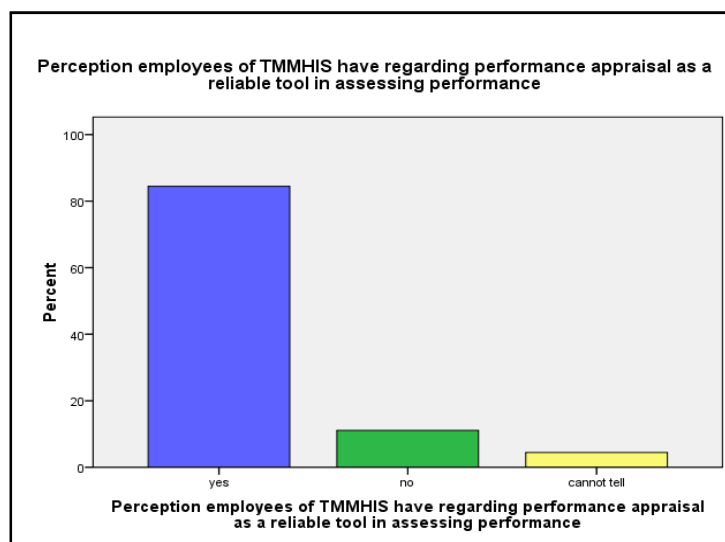


Figure 2

3.3. Methods of Appraisal Used

Figure 3 below is a histogram with a normal distribution curve. The curve is symmetrically shaped with a peak of about 22 which lies closely to the peak of the task-centered method of appraisal. The review and comparison, management by objectives, task-centered and other methods of appraisal are of peaks of 8,9,27 and 1 respectively. The task-centered method has the highest peak of 27, implying that, it is the most frequently used method of appraisal at the health insurance office. These indicate that management of the authority makes decision with the employees and give them tasks to perform including deadlines. Management by objectives is the second most frequently used method with the review and comparison method being the third most frequently used method whilst other methods are least used. Since the peak of the normal distribution curve lies closely to the peak of the task-centered method, it means that, the task-centered method of appraisal is the most frequently used method of appraisal in health insurance organisations including TMMHIA.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Review and comparison	8	17.8	17.8	17.8
	Management by objectives	9	20.0	20.0	37.8
	Task-centered	27	60.0	60.0	97.8
	Others	1	2.2	2.2	100.0
	Total	45	100.0	100.0	

Table 2: Methods of appraisal used at TMMHIA

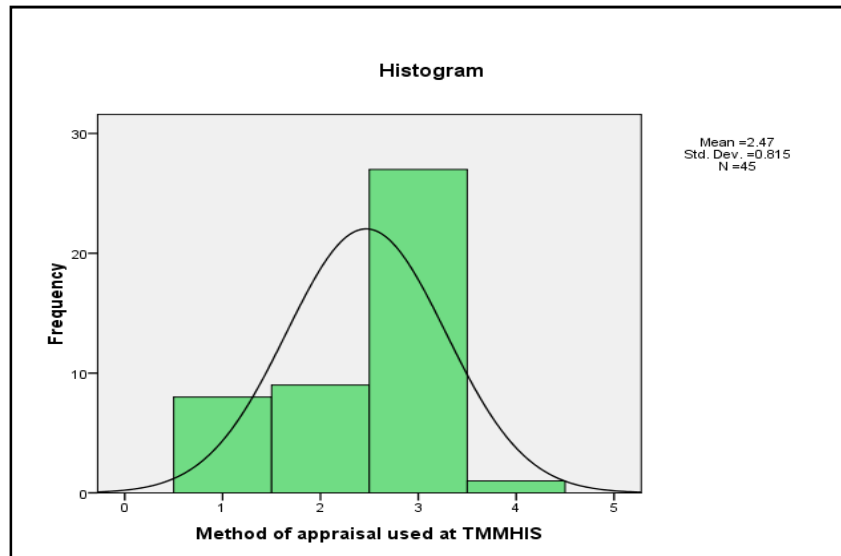


Figure 3

3.4. Training Workshops are organized after Appraisal Process

The histogram with a normal distribution curve shows whether training workshops are organized after appraisal process. Views of respondents were sought under the following headings; strongly disagree, disagree, agree and strongly agree with peaks of 18%, 20%, 60% and 2% respectively. From the diagram, it can be seen that, most of the employees from the insurance scheme disagreed with the fact that training workshops are organized after appraisal process whilst 20% of the respondents strongly disagreed, 11 agreed and 3 people strongly agreed to the fact that training workshops are organized after performance appraisal process at the insurance authority. This explains why some respondents are unsure of the benefits of appraisals.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	9	20.0	20.0	20.0
	Disagree	22	48.9	48.9	68.9
	Agree	11	24.4	24.4	93.3
	strongly agree	3	6.7	6.7	100.0
	Total	45	100.0	100.0	

Table 3: Training workshops are organized after appraisal process

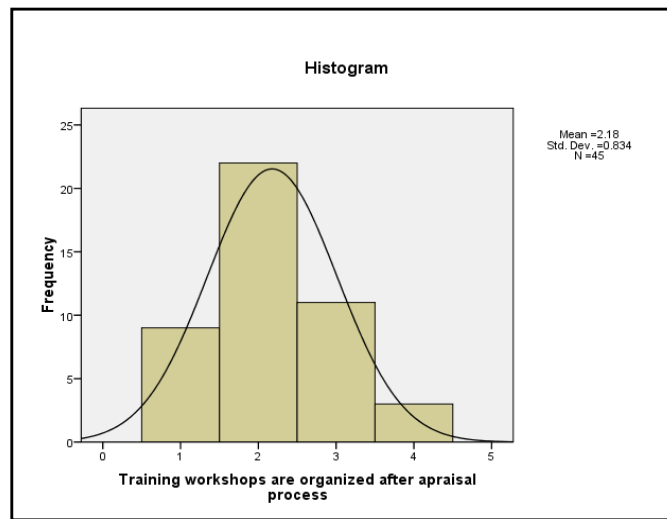


Figure 4

3.5. Uses of Appraisal Reports

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	3	6.7	6.7	6.7
	Agree	8	17.8	17.8	24.4
	Disagree	28	62.2	62.2	86.7
	strongly disagree	6	13.3	13.3	100.0
	Total	45	100.0	100.0	

Table 4: Uses of appraisal reports

Table 4 above indicates whether appraisal reports are used for punishment rather than for correction at TMMHIA. 62.2% of the employees at the insurance scheme disagreed with the fact that, appraisal reports are used for punishment rather than for correction. 17.8% were in support that, appraisal reports are used for punishment rather than for correction whilst 13.3% and 6.7% strongly disagreed and strongly agreed respectively. In some firms, appraisal reports are used for promotion, demotion, transfer or redundancy, which might not be known to the subordinates. That is why only 24% agreed with the fact that they are sometimes used for punishment.

3.6. Limitations in the use of Performance Appraisals

The bar chart shows the limitations in the performance appraisal system at Tema Metropolitan Mutual Health Insurance Authority. Inadequate logistics with the highest percentage of 28.9 happened to be the greatest limitation in the performance appraisal system at the insurance office. Biasness or unfairness in the performance appraisal system is the second limitation with a percentage of 24.4. Some of the employees were of the view that, nothing served as a limitation in the performance appraisal system at the insurance scheme having a percentage of 20 whilst 11.1% and 15.6% represented poor supervision and lack of education respectively.

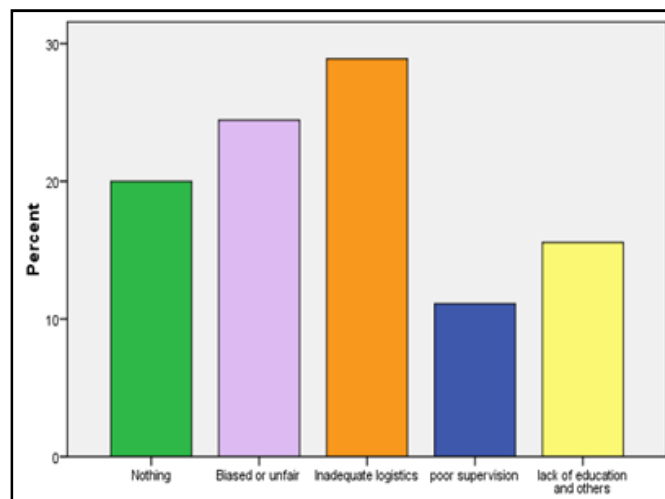


Figure 5: What are the limitations in the performance appraisal system at TMMHIS

From afore mentioned limitations, it is clear that performance appraisal is a good practice but its effectiveness and enormous benefits lie in the hands of management to deal with the challenges mentioned to fully reap them.

4. Conclusion

The study was primarily aimed at finding out the effect performance appraisal has on employee job performance at Tema Metropolitan Mutual Health Insurance Authority. This was carried out because of the problems performance appraisals creates between appraisers and appraisees when it is being carried out in organizations since most people especially managers and subordinates do not know the effects it has on an organization's performance. In all, forty-five (45) respondents were sampled. Questionnaires were used to collect data in relation to the topic. Both close-ended and open-ended questions were used. The findings indicated that most respondents were of the view that, performance appraisal has an effect on their job performance. This gives an indication that, the likelihood of employees getting committed to performance is high, knowing that their job will be evaluated.

Furthermore, most of the respondents perceived performance appraisal as a reliable tool in assessing their performance. In terms of the method of appraisal used at the insurance scheme, majority of respondents indicated the task-centered method as the frequently used method of appraisal. Most of these respondents were not comfortable with this method of appraisal since it focuses solely on the accomplishment of task. When it comes to organizing training programs for employees at the insurance scheme after appraisal process, most respondents indicated that, such programs were not organized for them. This could suggest that, the insurance scheme is not in competition with its competitors that would make it want to train its employees in order to help improve their performance and be able to win their competitors. It could also be that, the scheme expects employees to appreciate corrections and new inventions, technologies and developments.

In trying to determine whether appraisal reports are used for corrections rather than for punishment, most of the respondents pointed out that, appraisal reports are used for corrections and for better performance. This gives the indication that, employees are likely to be committed to performance appraisal. In finding out the limitations in the performance appraisal system at TMMHIA, biasness or unfairness, poor supervision, inadequate logistics and lack of education were some of the limitations identified.

Based on the findings it was established that, the insurance scheme does not organize training workshops after appraisals. Since performance appraisal helps in identifying weaknesses in the performance of the employee, we recommend that, once these weaknesses are identified, it should not just be paper work but also training workshops should be organized for employees in order to equip them with the skills they require for optimum performance.

It was also established that, biasness, inadequate logistics, poor supervision and lack of education were some of the limitations associated with the performance appraisal system. Based on that we recommend that, adequate logistics, effective supervision, education of employees prior to appraisals and fairness in the performance appraisal system should be promoted in order to achieve optimum performance.

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