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Impact of Performance Appraisal on Employee Productivity in Nigeria Breweries Plc

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Abstract:

This research study is mainly on the "impact of performance appraisal on employee's productivity". This research was conducted at Nigeria Breweries plc, as a case study that would help guarantee high productivity of products and services in the organization. It also examines the promotion, motivation, placement, training and job satisfaction of employees so as to appraise the job performance in the organization. The numbers gathered were analysed with the use of Statistical Package for Social Sciences (SPSS). Chi-Square analysis and Percentage distribution are the two techniques used in the research. The research study was time limited and also the cost involved in conducting the study and getting the project work done was correctly budgeted. The findings of the research survey discovered that objective and well planned high performance of employees productivity, retraining and consistent training are to be organized for the people involved in appraisal programme.

Keywords: Performance appraisal, employee productivity, Nigeria breweries Plc

1. Introduction

Performance appraisal is a discussion and review of employees' performance of given tasks and responsibilities globally. It is centred on results gotten by the employee in his/her job, not on the personality characteristics of the employee. Performance appraisal is an essential instrument for human resource management. It is a means for performance evaluation and also achieving performance enhancement among employees of an organization. As a management activity which increases the chances of achieving organizational goals, performance appraisal makes it compulsory for employees of an organization to know what is expected of them, and the indicators in which the overall productivity will be measured in order to make certain of staff progress, goal accomplishment, and organizational growth. Performance appraisal is a regular or systematic evaluation of the performance of an employee on his current job and also in relation to future jobs that he/she may be required to take up (Hartzell, 2006). It evaluates and measures the results of the performance of employees indicating their deficiencies and potentialities so that they can improve overtime. A decent appraisal system is very important to the supervision of employees in an organization. The success of the organization depends mainly on a decent appraisal system. When there's good appraisal system, those employees who contribute more will be effectively rewarded and they are likely to be promoted into positions of greater responsibilities (Stonner, Freeman & Gilbert, 2005). Therefore, for any appraisal system to work effectively, the employees must understand it, feel it as fair, and must be work oriented enough to care about the results (Habibu, 1992). One approach that would help foster this understanding is for the employees to contribute in the system designed and be trained to some extent in performance appraisal.

The fundamental objective of performance appraisal in an organization is to increase the employees' productivity. Therefore, performance evaluation provides adequate feedback on how employees are performing, by divulging them to knowledge and the result of their work; avenues for participating in the setting of tasks and goals; clear and attainable goals of the organization (Mullins, 1999). By undertaking these activities, it will lead to the improvement of employees' performances, and thus higher productivity in the organization.

Nigerian brewery plc is the largest brewing firm in the country. The company has a growing export business which covers global sales and marketing of their brands and dates back to 1986. NB plc offers sales, marketing and logistics support to make the brand shelf-ready in international markets, which includes world class outlets such as TESCO and ASDA stores. NB plc brands are available in over thirteen countries across the world. Nigerian breweries plc also partake in performance appraisal exercises. The degree to which performance appraisal activities have resulted to productivity of the company is the main focus of this research study.

1.1. Statement of the Problem

Performance appraisal offers a good opportunity to properly recognize employee's contributions and achievements to the organization, and to make sure that a strong relationship is established and maintained between reward and productivity. It is essential in an organization because it helps create an environment that allows open communication, and also helps in clarifying goals and expectations. It helps bring about progressive feedback and proper counsel in order to improve employee productivity. Nevertheless, it has been observed that performance appraisal system at Nigeria breweries plc is suffering some major defects which include lack of employees' participation in setting organizational goals that explain the organizational expectations and goals, lack of feedback regarding performance appraisal results to employees. Therefore, the research study investigated the effect of performance appraisal on employees' performance at Nigeria breweries plc.

1.2. Objective of the Study

The main objective of this research study is to examine the effects of performance appraisal on employees' productivity at Nigeria brewery plc. Other specific objectives are to:

- To ascertain the effect of compensation on employee's productivity in Nigeria brewery plc.
- To identify the significant relationship between performance appraisal and employee's productivity in Nigeria brewery plc.

1.3. Research Hypothesis

The hypothesis for the projected research study tested at 0.05 levels of significance are as follows:

- H₁: There is effective compensation on employee productivity in Nigeria brewery plc.
- H₂: There are significant relationship between performance appraisals and employee's productivity in Nigeria brewery plc.

2. Literature Review

2.1. Conceptual Framework on Performance Appraisal

Performance appraisal can be regarded as the process of recording and assessing employee's performance for the purpose of drawing conclusions about employees that lead to decisions (Cook & Crossman, 2004). Performance appraisal is an analysis of an employee's recent failures and successes, individual strengths and weaknesses and the suitability for promotion or advance training and time to time evaluation of employee's performance measured against the job's requirements or stated (Mani, 2002; Terry & Franklin, 2003). In simple terms, performance appraisal refers to the assessment of employee's productivity in a systematic manner, the productivity being measured against factors such as initiative, job knowledge, supervision, leadership abilities, quality and quantity of output, judgement, cooperation, versatility, health and the like (De Waal, 2004). Performance appraisal is a formal and organized interaction between a subordinate and supervisor, that regularly takes the method of a periodic interview which can be annually or semi-annually, in which the work performance of the employee is well examined and discussed with a sight of recognizing strengths and weaknesses as well as threats and opportunities for skills development and improvement (Gabris & Ihrke, 2000). A long-term process for evaluating employee's performance would not only be in the interest of the individual but also to the organisation. Stalz (1966) explains that organizations should look at the content of the appraisal system first and satisfy itself that the appraisal system is well understandable and in order not only to the appraiser but also to the appraisee. He also suggests that the appraisal system should be given to the appraisee who will return it to the appraiser, who then rates the appraisee and returns the form to the appraisee to go through and sign if he/she agrees with the rating. But even if the employee does not agree with his supervisors rating he/she would give his/her own remark, and still signs the appraisal arrangement. The arrangement then goes to the next senior officer or personnel department or the appraisal committee or the managing director as the case may be where the boss rating is changed, added to, and challenged, but the final appraisal result should be communicated to the appraisee through his/her immediate boss who will later on discuss the final performance appraisal result in a post appraisal interview. Marmoris (1995) agreed with Stalz (1966) that the process of performance appraisal starts with the creation of performance standards, followed by communicating principles to the workers because if left to themselves, would find it extremely difficult to know what is expected of them. This is followed by measurement of actual performance and then compare and contrast the actual performance to the performance standard required and discuss the outcome of the appraisal with the employee and if required, initiate corrective action.

2.2. Methods of Performance Appraisal

There are various approaches of performance appraisal that have been established by researchers. However, the study will further discuss few of the approaches. Ranking Methods: According to Wayne (1992) under performance appraisal method, top managers rank their subordinates in order of their value, starting from the best to the worst. The comparative position of each worker is expressed in terms of his numerical rank. Based on this appraisal, individuals are ranked from highest to lowest. It is presumed that the difference between the first and second employee is equal to difference between 21st and 22nd employee. In ranking method, the manager compares one person to another rather than work standards.

Management by Objectives Method: MBO is a method recognised by management guru Peter Drucker, to define a method of performance appraisal that is based on the setting of clear and measurable objectives, and the use of those objectives to appraise and review performance. MBO is considered as the best and fairest way to plan for and develop effectively performing employees when done correctly (Drucker, 1954). The principle behind Management by Objectives (MBO) is to make certain that everyone in the organization contributes in goals setting, must have a clear understanding of the aims and objectives of the organization, and must have the awareness of their own roles and responsibilities in achieving the organisation's aims and objectives. To complete MBO method, managers and employees must act to implement and achieve their desired plans, which will help achieve those of the organization.

MBA Strategy: Three basic parts

- All the employees within an organization are assigned to a distinct set of objectives that they try to reach during the usual operating period. These objectives are mutually set and agreed upon by managers and their employees (subordinates).
- Performance reviews are conducted occasionally in order to determine how employees are close to attaining their objectives.
- Rewards are given to employees on the basis of how close they come to meeting their goals.
- According to McNamara (2000) in MBO, employees and management work together to set goals with the determination of helping employees to achieve continuous development through a continuing process of goal setting, feedback and correction. As a result of their contribution, subordinates are more likely to be motivated in accomplishing the goals and to respond to criticism that arises from subsequent objective capacities of performance.

2.3. Employee Productivity

In the organizational setting, employee productivity is defined as the degree to which an employee of an organization contributes to achieving the goals of the organization (Greenberg, 1996). Mathias and John (2013) defined employee productivity as a measure of the quality and quantity of work done, considering the cost of the resources used. McNamara (2003) additionally states that results are always the final and specific outputs desired from the worker. Results are regularly stated as products or services for an internal or external customer. They may be in form of impact on a community, financial accomplishments, and so whose results are conveyed in terms of quality, quantity, time or cost. Employee productivity includes quality of output, quantity of output, presence at work and cooperativeness, timeliness of output (Bernardin, 2007). Employee productivity is simply understood as the related accomplishments expected of an employee and how well those accomplishments are executed.

2.4. Test of Hypotheses

2.4.1. Hypotheses One

- H_1 : There are effective compensation on employee productivity in Nigeria brewery plc.
- H_0 : There are no effective compensation on employee productivity in Nigeria brewery plc.

		Effective Employee Productivity	Nigeria Brewery Plc.
Effective employee productivity	Pearson Correlation	1	.536 **
	Sig. (2-tailed)	.000	.000
	N	110	110
Nigeria brewery plc.	Pearson Correlation	.536 **	1
	Sig. (2-tailed)	.000	.000
	N	110	110

Table 1: Table of Correlation between Effective Compensation on Employee Productivity and Nigeria Brewery Plc Correlations
**Correlation Is Significant at the 0.01 Level (2-Tailed)

According to above calculations it is observed that amount of correlation coefficient between employee productivity is equal to 53.6 per cent and considering that a significant level is less than 5%. Then we can say that there is a positive relationship between employee productivity and Nigeria brewery plc. This implies that one per cent increase in effective Nigeria brewery plc will lead to 53.6% increase in level of employee productivity.

2.5. Regression Analysis Test of Level of Employee Productivity and Nigeria Brewery Plc

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.965 ^a	.716	.586	3.79952

Table 2: Model Summary
a. Predictors: (Constant), Employee Productivity

Regression coefficient of $R = .965$ or 96.5% indicate that relationship exist between independent variables and dependent variable. The coefficient of determination $R^2 = 0.716$ which show that 71.6% of variation in level of Nigeria brewery explained by effective employee productivity. The development adjusted R-square in the table shows that the dependent variable, (level developing economy) is affected by 58.6% by independent variable (effective employee productivity). It shows that effective employee productivity is responsible for Nigeria brewery plc.

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant) effective infrastructure failure	12.310	.901		13.656	.002
	1.056	.085	.536	12.426	.000

Table 3: Coefficients^a

a. Dependent Variable: Level of Employee Productivity

The coefficient of determination for effective employee productivity is positive (1.056) and is highly significant (0.001) in ensuring level of performance. The p-value of 0.000 is less than the t-statistic value of 12.426 and the standard error value of 0.085. This implies that a unit increase in effective infrastructure failure will lead to 1.056 increases in level of performance. Therefore, the null hypothesis is rejected and alternative hypothesis accepted that there is a relationship between the effective employee productivity and Nigeria brewery plc.

2.6. Hypothesis two

- H_2 There are significant relationship between performance appraisals and employee's productivity in Nigeria brewery plc.
- H_0 : There are no significant relationship between performance appraisals and employee's productivity in Nigeria brewery plc.

Correlations			
		Performance appraisal	Employee productivity
Performance appraisal	Pearson Correlation	1	.473**
	Sig. (2-tailed)	.110	.000
	N	110	110
Employee productivity	Pearson Correlation	.473**	1
	Sig. (2-tailed)	.000	.110
	N	110	110

Table 4: Table of Correlation between Performance Appraisal and Employee Productivity

** Correlation Is Significant at the 0.01 Level (2-Tailed)

According to above calculations is observed that amount of correlation coefficient between performance appraisal and employee productivity is equal to 47.3 per cent and considering that a significant level is less than 5%. Then we can say that there is a positive relationship between performance appraisal and employee productivity. This implies that one per cent increase in performance appraisal will lead to 47.3% increase in employee performance in Nigeria brewery plc.

2.7. Regression Analysis Test of Performance Appraisal and Employee Productivity

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.773 ^a	.624	.722	3.96426

Table 5: Model Summary

a. Predictors: (Constant), Performance Appraisal

Regression coefficient of $R = .773$ or 77.3% indicate that relationship exist between independent variables and dependent variable. The coefficient of determination $R^2 = 0.624$ which show that 62.4% of variation in improving the employee productivity is explained by appraisal performance. The adjusted R-square in the table shows that the dependent variable, (improving the employee productivity) is affected by 72.2% by independent variable (performance appraisal). It shows that there dare positive performances on improving the developing economy.

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1(Constant)	15.036	.806		18.644	.000
Employee productivity	1.319	.125	.473	10.520	.000

Table 6: Coefficients^a

a. Dependent Variable: improving the employee productivity

The coefficient of determination for performance appraisal is positive (1.319) and is highly significant (0.000) in improving the employee productivity. The p-value of 0.000 is less than the t-statistic value of 10.520 and the standard error value of 0.125. This implies that a unit increase in performance appraisal will lead to 1.319 increases in improving employee productivity. Therefore, the null hypothesis is rejected and alternative hypothesis that there are positive impacts of performance appraisal on improving the employee productivity.

3. Discussion

The research study focuses mainly on the impact of performance appraisal on employee's performance. Precisely, the study shows the level of awareness of existence of performance appraisal, measures the impact of performance appraisal on employee's performance and lastly, identifies problems to effective performance appraisal system in Nigeria breweries plc. The acquired findings indicate that the level of performance appraisal awareness is relatively high among the employees and performance appraisal has significant impact on employee's performance. The research findings also show that failure to provide on time feedback was a big challenge to performance appraisal in Nigeria breweries plc.

4. Conclusion

From the research findings, the study decided that organizations should evaluate their employees frequently through accomplishments, organizational goals, utilized targets and time management as it would help increase employees productivity. From the research results, the study recommend that organizations should develop and implement performance appraisal methods to help provides opportunities to the organization by recognizing employees training needs, help workers on time management through proper planning, offer poor performers are chance to improve, help employees meet performance objectives, helps managers to make cognisant decisions about assignments and promotions based on appropriate facts and enhance synergies of employees.

From the research results, the research study states that organizations should use the behavioural performance evaluation method as it was statistically important in impelling employee's relationship through increased interpersonal relationships, team work and nurtured integration, reliability of the workers who may work without adequate supervision, adaptation of employees to changing environment and through individual staff improvement plan which help employees plan for their future career development.

The study states that applying performance appraisal methods in order to recognise employees rewards and provides opportunity to establish individual development strategy, encourage the individual work achievement and planning of targets and making the organization make conversant decisions on how to promote their employees. Lastly, the research study concludes that implementation of management by objectives as performance appraisal was statistically important in appraising employee's performance.

5. Recommendation

From the above findings and conclusion, the research study recommends that organizations should enhance their employee's productivity by appraising employee's performance. The organization should then utilized accomplishments, targets, time management, organizational goals and efficiency for measuring performance purposes and evaluation process as it will help increase employee's productivity.

From the research findings, the research study propose that organizations should develop and implement performance appraisal methods that would facilitate effective appraisal of the employees and hence providing opportunities to the organization in classifying performance targets, enhance employees performance, finding staff training needs and assisting employees on time management through proper planning and setting of deadlines. From the research results, the research study propose that companies should implement behavioural performance evaluation scheme and management by objectives as the appraisal methods were initiated to be statistically important in swaying employees relationship and enhancing employees productivity.

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- xii.