

Analysing the Concept of Performance Appraisal System on Employees Development

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ABSTRACT: Globally, governments and companies spend billions of naira yearly on employee performance evaluation. This study sought to establish the analysis of the concept of performance appraisal system on employee's development focusing on a case study of Oasis Management Company, Abuja. The main objective of this study was to find out the significant relationship between performance appraisal system and employees' development and to identify the impacts of performance appraisal on employee's development. Regression analysis was done to establish the concept of performance appraisal system on employee development. From the findings, the study concluded that organizations should appraise their employees often through utilized targets, accomplishments, organization goals, time management and efficiency for performance measure purposes as it would lead to increase in employee's development.

KEYWORDS: *Appraisal system, Employee, Development and Performance*

I. INTRODUCTION

Organizations are established to perform certain tasks and use different cadre of staff to achieve their objectives. To maintain standards and anticipated outputs organizations have to keep abreast with both new knowledge and technological advances. This fast growing challenge requires that organisations engage or update their staff so that they can cope with the rate of generation of new changes in these areas. Some of the coping mechanisms applied by organizations are recruitment of trainable staff, reproofing of present staff, in service training in certain disciplines and on the job training including exchange programmes.

In order for an organisations to achieve its objectives, planning of the appraisal process is an important subject who should be undertaken to enable it achieves the objectives like work force development, including improvements, promotions and assignments in managerial positions, persuasion and punishment, salary increase, personnel's performance feedback and determining their educational needs. Therefore, an appraisal can be considered as an important factor in identifying the people's talents and capacities and its results can make them aware of advancements, plans and goals. An organization, it self, needs to detect the employees efficiency to improve the manpower's status, for the purpose of increasing the volume of the production and services and making positive changes in its trend.

Appraising performance is important because since it helps to ensure that the organization system will be easily understood by employees and effectively put into action by managers. Appraisal structures that are complex or impractical tend to result in confusion, frustration, and nonuse. Likewise, systems that are not specifically relevant to the job may result in wasted time and resources. Indeed, most successful appraisal programs identify and evaluate only the critical behaviors that contribute to job success. Systems that miss those behaviors are often invalid, inaccurate, and result in discrimination based on nonrelated factors.

Performance appraisal should be conducted periodically to evaluate an employee's performance measured against the job's stated or presumed requirements. It is important that members of the organization know exactly what is expected of them, and the yardsticks by which their performance and results will be measured. Laurie J. Mullins substantiated 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.

The appraisal system should be formalized especially in supporting decisions on salary and wage increases, transfers, promotions and dismissals, as well as communicating information to appraise through a review of their progress. Results of performance appraisal are used to discuss performance and progress of personnel in relation to goals. Performance strengths are recognized and weaknesses identified so that individual action plans can be developed to make the necessary corrections. The performance appraisal method applied should be valid.

There must be a clear link between the performance standard for a particular job and an organization's goals and this should be measured accurately by the method. The performance appraisal method applied must be sensitive in distinguishing effective performers from ineffective performers/ the performance appraisal method should be reliable in that different raters using the same method will rate the same employee similarly. The performance appraisal method should be easily understood by both raters and the employees. (Fletcher, (2004).

Organizations set targets and goals that they work towards achieving. In view of this, management sections of organizations are tasked to employ the use of techniques and expertise in the efficiently, planning, organizing, directing, and controlling the operations to achieve set targets. The Human Resource Management is concerned with the management of good employees and also the training and development of employees to boost their development, efficiency and also their satisfaction, and to resultantly promote the overall success of the organization.

Targets and goals set by organizations serve as yardsticks for measuring success. HRM practitioners, via the use of performance appraisal system, evaluate their employees' performance since their performances are vital to organizational success. Desirable performance of employees which an organization needs, however, is dependent on positive job attitudes like job satisfaction and commitment. Thus, negative job attitudes pose a threat to the attainment of organizational goals. Described as an indispensable aspect of an organization (Rasch, 2004), Performance appraisal system continues to garner more interest among researchers and organizations alike due to the role it plays in the success of organizations.

Performance appraisal systems are indispensable for organizations in the light of making their employees cognizant of their performance improvements and growth, their abilities and their potentials as well. Performance appraisal system has a substantial impact on other aspects of HR and the strategy of an organization in entirety.

It's the effectiveness of performance appraisals that lays bedrock for ensuring the success in matters relating to employees such as: selection, training, and employee motivation practices. It enables employees to build their own developmental goals which eventually culminate into an employee's personal growth. Thus, there is very little doubt that a well-orchestrated performance appraisal suffices in reconciling the needs of an organization and the needs of the organization's employees (Grote, 2002).

In contrast to the above positives of Performance appraisal, it is described as one of HR management's most problematic aspects.

II. STATEMENT OF THE PROBLEM

Performance appraisal is credited with encouraging employee loyalty, fostering teamwork, impacting other Human Resource functions positively and also positively involved in employee motivation. Owing to the role these factors play in attaining organizational goals, many organizations invest in Performance appraisals. However, researchers also cite loopholes in the appraisal system and also warn of the dangers it poses to management and their subordinates. They also assert a seeming unanimous (employees and their supervisors alike) dissatisfaction with Performance appraisal system.

The research sought to identify the impacts of performance appraisal on employees' job satisfaction and organizational commitment if it is well carried out with a focus on the purposes and features of performance appraisal. It investigates the impacts of performance appraisal on the job related attitudes of employees, with the supposition that, if the performance appraisals are carried out with a clear purpose and links performance levels with rewards, then employees' job related attitudes – job satisfaction and organizational commitment– will be accordingly positively influenced.

III. OBJECTIVE OF THE STUDY

The study's main objective was to Analysing the Concept of Performance Appraisal System on Employees Development

- i. To find out the significant relationship between performance appraisal system and employees' development
- ii. To identify the impacts of performance appraisal on employee's development.

IV. RESEARCH HYPOTHESES

In order to achieve the aims of the study the following research hypotheses are considered.

H₁: There are significant relationship between performance appraisal system and employee's development.

H₂: There are significant impacts of performance appraisal on employee's development.

V. LITERATURE REVIEW

5.1 Concept of Performance Appraisal

A significant direction of research regarding PA efficacy and approaches for evaluation has concentrated on employee satisfaction and perceptions of the process. As a result of this, researchers and

practitioners have taken a more comprehensive view of performance appraisal system efficacy and evaluation of systems. One common theme of recent research is that attitudes of the system's users toward the process determine to a large degree the ultimate effectiveness of a performance appraisal system (Roberts, 1990). Regardless of the definition or the specific components included, PA in most organizations is formal, and structured.

The process is generally defined to include an interview between the rater and the ratee as well as performance documentation required by the formal evaluation system. One descriptor left out of most definitions is that performance appraisal is often dreaded by participants. Folger and Lewis (1993) suggest that performance appraisals typically engender the same degree of enthusiasm as paying taxes. Folger et al (1992) argued that instead of focusing on accuracy, the goal of PA should be ensuring fairness in the process, which is a more achievable goal.

If an accurate appraisal system is perceived as unfair, it may lead to negative consequences or, it is possible that an accurate appraisal tool that is perceived as fair may not lead to negative outcomes? Fairness should be adopted not only because accuracy is not achievable but also because it is an important societal value and feelings of injustice have important consequences for the society and the workplace (Sabbagh, et al, 1994, Sashkin and Williams, 1990).

Fairness of HR practices deserves attention from a humanistic point of view as well (Koys, 1991; Ogilvie, 1986; Bretz and Judge, 1994). It would seem logical and important that employees have the desire to be evaluated on job criteria that is accurate and relates to aspects of their job that is within their control. For example, Boswell and Boudreau (2000) highlight accurate performance appraisal can be an important predictor of employee attitudes towards their supervisor, the job and the PA process.

5.2 *Types of Performance Appraisal*

Companies adopt and employ different performance appraisals depending on the needs and nature of the job, work and the company. The most commonly used appraisal techniques include: 360 degree appraisal, Peer Review, Self-Review, Essay appraisal, Graphic rating scale, forced-choice rating, critical incident appraisal, Management-by-objectives approach, ranking methods. Accordingly, each of these methods has its own combination of strengths and weaknesses, and none is able to achieve all the purposes for which management performance appraisal systems are intended.

Neither is any one technique able to evade all of the pitfalls. The best anyone can hope to do is to match an appropriate appraisal method to a particular performance appraisal goal. If a performance appraisal system is new to your organization, it should first be pilot tested with a select group of employees before it is instituted throughout the organization, or it may fail. Here is a review of some of the types of appraisal methods used, which are in no particular order of importance:

i. 360-degree

The 360-degree appraisal is the most comprehensive and costly type of appraisals. It offers an alternative method by which organizations can gain more useful performance information about employees, and make them more accountable to their various customers. Rather than having a single person play judge, a 360-degree appraisal acts more like a jury. It includes self-ratings, peer review, and upward assessments; feedback is sought from everyone. It gives people a chance to know how others see them, to see their skills and style, and may improve communications between people. The people, who actually deal with the employee each day, create a pool of information on which the supervisor may act. This provides feedback from both internal and external customers to receive a broader, more accurate perspective on employees. The advantages of the 360 degree are: it provides a more comprehensive view of employee performance, it increases involvement and credibility of the performance appraisal, have a strong impact of behaviour and performance, feedback from peers enhances employee self-development. It greatly increases communication and shared goals, and increases accountability of employees to their customers.

ii. Peer Review

Peer Review may be designed by three to six workers, to set the goals, benefits, and objectives of the programme, design a criteria-based performance evaluation system and conduct a pilot programme. People should be encouraged to provide feedback on the system itself. Training and support should be available. Peer reviews often have a high level of worker acceptance and involvements tend to be stable, task-relevant, and accurate. By helping peers to understand each other's work, and by airing grievances in a non-threatening manner, peer reviews may also help people to get along better. For the organization, this means higher performance. For the worker, this means a better place to work and less frustration. It may also help people to concentrate less on politics and more on building skills.

iii. Self-Review

Self-Reviews are based on the idea that employees are most familiar with their work, and that their involvement is essential. Employees rate themselves on a number of criteria, usually with a formal survey form, and suggest improvements. They help to clarify their own goals, and expose areas of weakness so they may be

worked on. Mostly, the manager is left out of the process, although an exchange of views between the employee and manager may help their relationship, and boost the employee's own understanding.

Meyer (1991) said that self-review changes the role of the manager to counselor, rather than judge. With this role, the manager can do more to support people. He further points out that self-review enhances the subordinate's dignity and self-respect. Involving the employee as an equal in the review process is more likely to increase commitment to action plans, making the entire process both more satisfying and more productive.

iv. Essay Appraisal

In Essay appraisal, the appraiser prepares a written statement about the employee being appraised. The system usually concentrates on describing specific strength and weakness in job performance. It also suggests courses of action to remedy the identified problem areas. The biggest drawback to essay appraisals is their unpredictability and inconsistency in length and content. Moreover, since different essays touch on different aspects of a person's performance or personal qualifications, essay ratings are difficult to combine or compare.

5.3 Importance of Performance Appraisal

Performance appraisal systems (PAS) are not, as many as critics say, useless and evil. When paying attention to careful PAS, planning and proper techniques should be used, PA might be perceived not only as irreplaceable tool for recognizing and rewarding good performance and correcting poor performance, but mainly as a way to maintain long-term development within an organization. During a research carried out when preparing this work, an author found a variety of views on PA and all of its aspects. Often, opinions were completely opposed.

That gives evidence that, in contrast to management topics, performance appraisal as a whole is very hard to do "Right", since there are not many "Right" solutions that would have no opponents. An effective PA opens with a list of areas in which the employee being evaluated has exhibited above average performance. Beginning on a positive note and providing an example of how to perform tasks properly which sets the tone for the review meeting. This is an effective morale booster as well.

5.4 Employee Development

Development refers to activities leading to the acquisition of new knowledge or skills for purposes of growing. Organizations provide employees with development programmes in order to enhance their capabilities. Employee development is gaining an increasingly critical and strategic imperative in organizations in the current business environment in Abdul Hameed (2011). Thus organizations need to invest in continuous employee development in order to maintain employees as well as the organization success (Khawaja&Nadeem 2013).

Wesley (2004) also identifies some objectives of performance appraisal s indicated below:

- a. To review the performance of the employees over a given period of time.
- b. To judge the gap between the actual and the desired performance.
- c. To help the management in exercising organizational control.
- d. Helps to strengthen the relationship and communication between superior – subordinates and management – employees.
- e. To diagnose the strengths and weaknesses of the individuals so as to identify the training and development needs of the future.
- f. To provide feedback to the employees regarding their past performance.
- g. Provide information to assist in the other personal decisions in the organization.
- h. Provide clarity of the expectations and responsibilities of the functions to be performed by the employees.
- i. To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection training and development.

5.5 Performance Appraisal systems

Yosuf (2003) defines Performance appraisal systems as the processes and procedures involved in implementing, managing, and communicating the events involved in performance appraisal. In many cases it is a formal process and is a part of the personnel management policy. Numerous organizations employ a formal or informal assessment system that measures employee performance and contribution, Carroll and Schneier, (1982).

Coens and Jenkins (2000) suggest that performance appraisal is a mandated process in which, for a specified period of time, all or a group of an employee's work behaviors or traits are individually rated, judged, or described by a rater and the results re kept by the organization.

Karol (1996) considered performance appraisal to include a communication event scheduled between a manager and an employee expressly for the purposes of evaluating that employee's past job performance and discussing relevant areas for future job performance. Performance appraisal is a formal management system that provides for the evaluation of the quality of an individual's performance in an organization, Yusof (2003).

Performance appraisal has the means to evaluate an employee's current and past performances relative to the employee's performance standards. It is a process which involves creating work standards, evaluate employee's actual performance to those work standards and giving feedback to employee's so as to motivate him or her to improve the job performance or eliminate performance deficiency.

5.6 Basic Steps in a Performance Appraisal System

The following as basic steps in ensuring a successful performance appraisal:

- Conduct ongoing observations and measurements to track performance
- Exchange ongoing feedback about performance. Feedback is information relevant to how well results are being achieved. Useful feedback is timely, feasible and understood. Ideally, feedback addresses key activities to improve or reinforce performance.
- Conduct a performance appraisal, which should include documentation of expected results, standards of performance, progress toward achieving of results, how well they were achieved, examples indicating achievement, suggestions to improve performance and how those suggestions can be followed.
- If performance meets desired performance standards, reward for performance in our example, the machine operator may be due some form of reward, that is, recognition or compensation, e.g., letter of recognition, promotion, letter of commendation, etc.

VI. RESEARCH METHOD

This research therefore covers one selected organisation firms in Abuja, namely Oasis Management Company, Abuja. Secondary data were obtained through books, journals, and internet. Empirical works of other scholars were consulted. A simple size of 81 was obtained from the population of 102 at 5% error tolerance and 95% degree of freedom using Yamane's statistical formula 81(100%) of the questionnaires distributed 76(94%) were returned and 5(6%) were not returned. The questionnaire was designed in Likert scale format. The researchers conducted a pre-test on the questionnaire to ensure the validity of the instrument. Pearson moment product co-efficient and regression analysis were used to test the hypotheses.

VII. TEST OF HYPOTHESES

Hypotheses One

H₁: There are significant relationship between performance appraisal system and employee's development.

H₀: There are no significant relationship between performance appraisal system and employee's development.

TABLE 1: Table of correlation between performance appraisal system and employee's development
Correlations

		performance appraisal system	employee's development
performance appraisal system	Pearson Correlation	1	.536 **
	Sig. (2-tailed)	.76	.000
	N		76
employee's development	Pearson Correlation	.536 **	1
	Sig. (2-tailed)	.000	.76
	N	76	

** . Correlation is significant at the 0.01 level (2-tailed).

According to above calculations it is observed that amount of correlation coefficient between levels of performance appraisal system 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 performance appraisal systems on employee's development. This implies that one percent increase in performance appraisal system will lead to 53.6% increase in level of employee's development

TABLE 2: Regression analysis test of level of performance appraisal system and employee's development
Model Summary

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

a. Predictors: (Constant), performance appraisal system

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 employee’s development is explained by performance appraisal system. The adjusted R-square in the table shows that the dependent variable, (level employee’s development) is affected by 58.6% by independent variable (performance appraisal system). It shows that effective performance appraisal is responsible for employee’s development.

TABLE 3: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	12.310	.901		13.656	.002
performance appraisal system	1.056	.085	.536	12.426	.000

a. Dependent Variable: level of employee’s development

The coefficient of determination for performance appraisal system is positive (1.056) and is highly significant (0.001) in ensuring level of employee’s development. 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 performance appraisal system will lead to 1.056 increases in level of employee’s development. Therefore, the null hypothesis is rejected and alternative hypothesis accepted that there is a relationship between the performance appraisal system and employee’s development.

Hypothesis two

H₂ There are significant impacts of performance appraisal on employee’s development

H₀: There are no significant impacts of performance appraisal on employee’s development

TABLE 4: Table of correlation between performance appraisals on employee’s development
Correlations

		employee’s development	Performance appraisal
performance appraisal	Pearson Correlation	1	.473**
	Sig. (2-tailed)	.76	.000
	N		76
employee’s development	Pearson Correlation	.473 **	1
	Sig. (2-tailed)	.000	.76
	N	76	

** . 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 improving employee’s development 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 improving Employee’s development. This implies that one percent increase in performance appraisal will lead to 47.3% increase in employee’s development.

TABLE 4: Regression analysis test of information performance appraisal and employee’s development
Model Summary

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

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 employee’s development is explained by performance appraisal. The adjusted R-square in the table shows that the dependent variable, (improving the employee’s development) is affected by 72.2% by independent variable (performance appraisal). It shows that there are significant impacts of performance appraisal on improving employee’s development.

TABLE 5: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	15.036	.806		18.644	.000
performance appraisal	1.319	.125	.473	10.520	.000

a. Dependent Variable: employee’s development.

The coefficient of determination for performance appraisal is positive (1.319) and is highly significant (0.000) in improving employee's development. 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's development. Therefore, the null hypothesis is rejected and alternative hypothesis that there are positive impacts of performance appraisal on improving employee's development.

VIII. CONCLUSIONS

From the findings, the research concluded that organizations should appraise their employees often through utilized targets, accomplishments, organization goals, time management and efficiency for performance measure purposes as it would lead to increase in employee's development. From the findings, the study concludes that organizations should establish and adopt performance appraisal systems to aid in providing opportunities to the management in identify staff training needs, help employees meet performance targets, offer poor performers are chance to improve, help employees on time management through planning and setting of deadlines, enable the managers to make informed decisions about promotions and assignments based on applicable facts, improve employee's synergies. From the findings the study concluded that firms should use the behavioural performance appraisal system as it was statistically significant in influencing employee's relationship through increased inter-personal relationships, fostered Integration and team work, reliability of the employees who may work without much supervision, adaptation of employees to changing environment and through individual staff development plan which would enable the staff to plan for their career development hence.

IX. RECOMMENDATIONS

From the findings and conclusion, the research recommend that organizations should appraise their employees to enhance employees' development The management should therefore utilized targets, accomplishments, organization goals, time management and efficiency for performance measure purposes and the appraisal process as this would lead to increase in employee's development.

From the findings, the research recommend that organizations should establish and adopt performance appraisal systems that would enable effectively appraisal of the employees and therefore providing opportunities to the management in identifying staff training needs, identify performance targets, improve employees performance and helping employees on time management through planning and setting of deadlines. From the findings the study recommends that firms should adopt behavioural performance appraisal system and management by objectives as the appraisal systems were found to be statistically significant in influencing employee's relationship and improving employee's development.

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