



# IMPACT OF EMPLOYEE PERFORMANCE APPRAISAL ON PERFORMANCE OF BUSINESS ORGANIZATIONS: A THEORETICAL REVIEW

Obiekwe, Onyebuchi (PhD)

Nigeria

Ejo-Orusa, Henry (PhD)

Department of Management, Rivers State University, Port Harcourt Nigeria

## ABSTRACT

*This paper theoretically examines the impact of employee performance appraisal on performance of business organizations. It notes that well designed performance appraisals is vital to the improvement of employee performance and productivity, as well as to assess achievements and develop plans for individual and team development. Some uses and benefits of employee appraisal identified include: human resources planning, promotions, training and development, career planning, compensation programs, among others. The challenges of employee appraisal noted include leniency, central tendency, halo effect, personal bias, recent behaviour bias and manipulation of the evaluation. The paper concluded that employee performance appraisal is a vital input that leads to the organization performance, and is an important tool used to assess employees' efficiency and performance in the workplace. Additionally, employee appraisal is desirable needed by business organizations in order to operate profitably and enhance both employee and organizational performances. It is recommended that managers should improve on the training and development needs analysis element of performance appraisal policy in order to meet the aspirations of employees as training and development enhances employee performance and organizational growth. Employees should be properly educated on the purpose of performance appraisal exercise so that they are clearly aware that it is not a weapon of punishment but an instrument designed to assist them to grow. Management should provide the employees with timely feedback whether results are positive or negative so that they may know whether their performances are in line with the expectations or goals set by the management. Additionally, managements should set up and adopt employee appraisal systems in order to help them identify staff training needs, help employees meet performance targets, offer poor performers the chance to improve, and assist the managers to make informed decisions about promotions and assignments based on applicable facts.*

**KEYWORDS:** performance appraisal, feedback, motivation, organizational performance, improved productivity,

## INTRODUCTION

The effective functioning of every organization is a function of the quality and performance of the employees who works in the organization to achieve its goals and objectives. Improved employee performance in the work place is vital for the achievement of overall business success of every business organization. Quality and competent employees are thus the essential building blocks necessary for the attainment of predetermined and or emergent organizational desires. Hence, organizations strive regularly through the use of competent motivated workforce to improve their performance and to gain competitive advantage over competitors. Competent employees are the most valuable assets in any organization and as such, when managed effectively, can significantly contribute to long-term organizational positive outcomes. In other words, employees

are key to organization improved performances, and in achievement of stated or and emergent objectives of organizations and in helping them to move from where they are at moment to where they want to be in the future (Obiekwe, 2018a; Nwaeke and Obiekwe, 2017), as improved organizational performance makes all the difference to the rate of corporate productivity and survival. To ensure that employees perform optimally and are committed in ensuring long lasting organizational improvements, there is high need to put in place a system that ensures that they employees are guided to know what is expected of them in their roles and duties to the organization, as well as a system which assesses achievements and develop plans for individual and team development. Regular employee appraisals thus become handy as a management strategy to achieve this.

Employee performance appraisals have proved effective in ensuring and enhancing employee and team/group performance which in turn has resulted to organizational enhanced performance. In our current highly competitive business environment that demands improved individual and group productivity, a well designed performance appraisal is an effective tool that organizations can rely upon to realize improve employee performance and productivity. It is an effective and indispensable tool for employee supervision and costing. Successful and forward looking organizations understand the significance of integrating performance appraisals into their performance management process and strategy. They also utilize it as a tool to encourage, engage, and develop their talent pool (Lotich, 2018). Mwema and Gachunga (2014) note that organizations that employ the results of employee appraisal to recognize areas of employee strength and opportunity can benefit well from it as it can provide a suggestion of areas of training need as well as direction for leadership development, performance improvement and succession planning.

Decenzo and Robbins (1995:358) see employee performance appraisal as a structural official interview between a manager and a subordinate which takes the form of periodic interview in which the subordinate performance is examined and discussed, with the aim of identifying his weaknesses and strength and ways for his improvement and development. Jaben (2011) noted that performance appraisals are crucial for career and succession development. Employee performance appraisal review is designed for workforce inspiration, position and conduct improvement, converse directional aims, along with nurturing optimistic associations between supervision and workforce. Accordingly, performance appraisals offer a recognized, recorded, customary assessment of an individual's routine and a sketch for potential development and enlargement of an employee.

Performance appraisal results are used in many organizations, either directly or indirectly to help in identifying the better performing employees who should get the majority of available merit pay increases, bonuses, and promotion. According to Konobear (2002) employee performance appraisal act as a very important formal system of measuring, evaluating and influencing an employees job-related attributes, behaviours and outcomes to determine how productive an employee is and to determine if an employee's productivity can be improved. Since performance appraisal is important in increasing the productivity, performance, commitment of employee when conducted in a fair manner, it also help to motivate employees so as to put in their best effort so as to be recognized for special incentives, bonuses and to be given opportunity to upward mobility in the organization. Performance appraisal system helps organization to enhance their employee performance, satisfaction, motivation as well as in achieving organizational set goals and objectives. Thus, appraisal structure is a tool to improve the worth and level of the manpower's performance, since it is well thought-out as and vital attribute in human capital administration and an element of organizational control process (Nasud, 1999), and a potential mechanism for this growth (Mondy, et al., 2003). It is therefore fundamental for managers to realize that performance appraisal must be comprehensive and that it is a continues process, rather than an event that occurs once a year, as the out put of every organization depends on how well and how much the performance of the employee is appraised and evaluated.

Mondy *et al.*, (2003:279) see performance appraisal as a system of review and evaluation of an individuals or teams. However, the focus of performance appraisal in most firms remains on the individual employee. Lawler (1994) noted that performance appraisal system neither motivate individuals nor effectively guide their development, instead, it created conflict between supervisors and subordinates and lead to dysfunctional behaviours. According to Bluman and Leavitt (1999), organizations should de-emphasize elaborate individual performance evaluations, and use more informal feedback. Dreyfack (1998) has noted that going through the performance appraisal cuts into managers high priority work load and the experience can be quite unpleasant when the employee in question has not been toeing the line. Beside these criticisms, performance appraisal remains very essential because managers must make decisions about employee developmental needs, trainings, promotions, terminations, transfers, admission to training programs, among others. Performance appraisal system has been and will continue to be a high priority of human resource management. Grote (2000) has noted that, most America's best managed corporations consider performance appraisal as serious business. Employee appraisal systems are set up by some organizations to help develop and motivate their employees to strive hard to be developed and rewarded, as these help to boost and reflects on their performance and productivity. However, many employees and authors have criticized the activity of performance appraisal as a shear waste of energy and time, which has nothing to contribute to the development of the employees.

This paper thus seeks to utilize a theoretical approach to examine the impact of employee performance appraisal on organizational performance by critically examining the concept of performance appraisal, its benefits, applications and challenges in organizations, and the implications of performance appraisal to managers of organizations, among others.

## LITERATURE REVIEW

### Definitions and purpose of Performance Appraisal

There is no one generally universal definition of the concept for performance appraisal. However, review of definitions of performance appraisal shows that the different definitions proposed by various authors tailored toward same direction. Generally, no organization can successfully navigate today's turbulent business environment if it does not monitor and evaluate the performance of its workers who are employed to steer the organization to achieve its pre-determined and other emergent corporate goals and objectives. Performance appraisal refers to the method of gathering, analyzing and recording information about the worth of an employee which help in the guiding and managing employee development in the organization. Performance appraisal can be defined as a periodic evaluation of the output of an individual measured against certain expectations (Yong, 1996). As an important tool for human resource management, it is a means of evaluating performance and for achieving performance improvement among staff of an organization. North (2002) defined performance appraisal as a formal discussions between a manager and his subordinate in which the work performance of the subordinate is examined and discussed, for identifying opportunities for his improvement and skill development. It is a formal system of measuring, evaluating, and influencing

an employee job-related attributes, behaviours and outcome in finding out his productive ability, and ways of improving his productivity (Konobear, 2002). thus, it represent a way of monitoring and evaluating a worker's performance, recording the evaluation and providing feedback to the employee. The performance appraisal process is part of on going employee development activity and serves as a management tool to formally document community overall performance. This process provides an opportunity to communicate performance feedback, review the job description, plan upcoming goals and objectives and create an individual development plan for employees (<http://employee-relations.hr.wvu.edu/performance-appraisals>). That is to say that performance appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. It is a method by which the job performance of an employee is evaluated (generally in terms of quality, cost and time) typically by the corresponding manager or supervisor.

Performance appraisals serve many purposes in organizations. According to Mathus and Jackson (1998), performance appraisal aims at clarifying the employees work expectation, improving employee development, linking pay with performance and assessing employee development. Appraisal enables employees to become aware of the organizations expectations after performance evaluation which helps them in improving their performance (de Waal, 2004). Gabris and Ihrke (2000) posit that the main aim of performance appraisal is the provision of periodic and formal feedback to individual staff members, Another objective of most performance appraisal systems is to improve employee motivation, performance and productivity, and to improve planning and service delivery at the general level and also to provide feedback to individual officers.. On his own, Applebaum (2011) note that performance appraisal is used for three main purposes, namely: (i) As a basis of reward allocation, (2) as a tool for identification of deficiencies in employee, and (3) for the selection and development programme.

Igbojekwe, et al (2015) has noted that organization failure to align performance standards with organizational goals and objectives can lead to misunderstandings, poor morale, and lack of job satisfaction, ineffectiveness, and confusion. According to Caruth and John (2008), when the actual performance is compared with the desired or the standard performance, the comparison should tell the deviations in the performance of employees from the standards set. The result can show the actual performance being higher than the desired performance or the actual performance being lower than the desired performance showing a negative deviation in the organizational performance. Obi (2016) has noted that the primary purpose of a performance appraisal is to generate accurate and valid information regarding the behavior and performance of organizations workforce. The more accurate and valid the information generated by the system, the greater its potential value to the organization.

### **USES OF PERFORMANCE APPRAISAL**

The role of performance appraisal has grown more than just a tool for assessing employees to one that is utilized to reinforce the desired behavior and competent performance of the employees. Performance appraisal is used by management to attempt to guide and control employee work behavior and results. According to Singh et al, (2010), performance appraisal

constitute the single most powerful instrument for mobilizing employees in a sophisticated and well managed organization in order to achieve strategic goals. Performance appraisal data are potentially important for use in virtually every human resources functional area for the following:

**Human Resource Planning:** In assessing a firm's human resources, data must be available that describe the promotion ability and potential of all employees, especially key executives. A well – designed appraisal system provides a profile of the organizations human resource strength and weaknesses of support this effort.

**Recruitment and Selection:** Performance evaluation ratings may be helpful in predicting the performance of Job applicants. It may be determined that successful managers in a firm (identified through performance evaluations) exhibit certain behaviours when performing key task. These data may then provide benchmarks for evaluating applicant responses obtained through behavioural interviews. Also in validating selection tests, employee ratings may be used as the variable against which test scores are compared (Mondy, 2003: 281).

**Training and development:** Performance appraisals are used to point out an employee's specific needs for training and development and to give employees opportunity to be involved with identifying areas for their organizational development. Mondy (2003) however note that an appraisal system does not guarantee that employees will be properly trained and developed. Nevertheless, availability of appraisal data assists in the task of determining employees training and development needs. Lotich (2018) note that forward looking organizations utilize performance appraisal as a tool to encourage, engage, and develop their talent pool.

**Career Planning and Development:** Performance appraisal data used in employee counseling to assist them in developing and implementing their career plans.

**Compensation Programs:** Performance appraisal results provide a base for rational decisions regarding pay adjustments (Nwachukwu, 2009: 188; Mondy et al, 2003; 281). Most managers reward outstanding job performance with tangibly pay increases. Performance appraisal results are also used to identify poor performers who may require some form of Counseling, or in extreme cases, demotion and dismissal.

**Internal Employee Relations:** Performance appraisal data are also frequently used for decisions in several areas of internal employee relations, including motivation, promotion, demotion, termination, layoff, and transfer.

### **BENEFIT OF PERFORMANCE APPRAISAL**

There are several benefits associated with performance appraisals to both organization and employees. Performance appraisal system is a valuable management tool which helps to generate feedback, review and estimate whether an employee performance is effective and discuss what needs to be done for it to become so. Managers perform evaluations to benefit both employees and the employer. The most significant benefit of the appraisal system for the manager or the head of department is that it provides a document of employee performance over a specific period. The performance appraisal is an essential part of the human resources department's contribution to an organization. An effective appraisal helps to eliminate behavior and work-quality problems, as well as motivates an employee to contribute more. Additionally, performance appraisal helps to recognize areas of strong performance across all employees, by department or by demographics. Standardized performance assessments allow

companies to combined, calculate and analyze results to show where performance is strong. These areas of strength then can serve as benchmarks and opportunities for sharing of best practices for other areas of the organization

According to Lotich (2018), performance appraisals are only as good as the performance management system it operates within. Any organizations that do performance appraisals for doing sake is wasting its time. However, organizations that integrate performance appraisals into their broad performance management system and use them to execute business goals have an advantage for accomplishing their goals and ultimately their strategic plan. Lotich (2018) identified the advantages of performance appraisal as: documentation, structure, feedback, clarity expectation, annual planning and motivation of employee. Some other benefits related to performance appraisal are:

**Motivation and Satisfaction:** Performance appraisals enhance and improve the employee levels of motivation and satisfaction by providing employees recognition for their work efforts. It indicates to an employee that the organization is genuinely interested in his personal performance. This alone can positively influence an employee's sense of worth, commitment and belonging to an organization, and enhance the organization family culture of the firm (Obiekwe, 2018a). This will give room for individual recognition and helps to reduce absenteeism and turnover rates in some organizations.

**Self development and career advancement:** this is the most important benefit for the employee. Performance appraisal enables an employee to give positive feedback as well as identifying areas for improvement. Through appraisal, an employee can talk about and even create a developmental (training) plan with the manager so he can improve his skills. Thus not only does this process dress the employee long-term developmental goals, it provides him the opportunity to be of immense use to the organization, and generate a successful career path which in turn inspires commitment, loyalty, and organizational family culture (Bigelow, 2019; Obiekwe, 2018). According to Donohoe (2019), appraisals helps a manager to discover an employee performance, strength and weakness, as well as his skills and qualities required for leadership position in the organization. Appraisals also enable the managers to learn about employees career goals and thus provide the necessary information and requisite training and development plan that an improve employee engagement and loyalty, helping to retain skillful and highly knowledgeable worker even if they do not seek advancement in the organization.

**Training and Development:** Performance appraisal offers an excellent opportunity-perhaps the best that will even occur for a supervisor and subordinate to recognize and agree upon individual training and development needs. Performance appraisal can make the need for training more pressing and relevant by linking it clearly to performance outcome and future career aspirations (Nwachukwu, 2009:188; 2007:139). Consolidated appraisal data help to form a picture of the overall demand for training, and can provide a regular and efficient training needs audit for the entire organization. It also helps in framing future development program.

**Employee Evaluation:** According to Nwachukwu (2007), appraisal helps to assess an employee character, attitude, potentials and past performance of on the job in order to evaluate his or her strength and weaknesses.

**Recruitment and Induction:** Appraisal data can be used to monitor the success of the organization's recruitment and induction practices. For example, how well are the employees performing who were hired in the past two years? Performance appraisal can also benefit an organization in monitoring the effectiveness of changes in recruitment strategies. By following the yearly data related to new hires, it is possible to assess whether the general quality of the workforce is improving, staying steady, or declining.

**Improve communication:** For an organization, effective communication between employees and employers is important. Through performance appraisal, communication can be sought for in the following ways: (a) to understand and accept skills of subordinates. (b) To enable the subordinates understand and create a trust and confidence in supervisors. (c) To help in maintaining cordial and congenial labour management relationship. (d) To develops the spirit of work and boosts the morale of employees. All these ensure effective communication. Besides, problems that arise due to lack of communication can be successfully handled during appraisal as the employee and manager has opportunity to address such problems resulting from lack of communication (Bigelow, 2019). In the same line, as Mullins, (1999) has also noted that performance appraisal provides sufficient feedback on how workers are performing, by exposing them to knowledge and the result of their work; clear and attainable goals of the organization; avenues for involving the employee in the setting of tasks and goals.

Thus performance appraisal provides information to help manage employees in such a way that employee performance improves (Denisi and Robert, 2006).

**Alignment of employee and organizational goals:** employee appraisal helps organizations and their employees to achieve goal congruence as the practice helps to direct employee's aspirations to align with the goals of the organization, as well as direct them to pull in the direction set by the firms in order to achieve the highest possible performance. Without performance appraisals, employees may not be able to discover how the alignment of their own goals to that of the organization helps the organization to move forward, and this can generate satisfaction and a feeling of been needed, thereby generating commitment. Donohoe (2019) note that performance appraisal ensures that organization and employee goals are aligned in the same direction and that this results to engaged employees who support the organization's goals.

Performance appraisal systems must however be specifically relevant to the job, or it may result in wasted time and resources. Additionally, a system that is complex, impractical and unclear will certainly tend to result in confusion, frustration, and likely create suspicion and distrust toward the manager or the appraiser. Employees are likely to feel more satisfied with their performance appraisal results if they have the opportunity to talk freely and discuss their performance.

## **EMPLOYEE APPRAISAL METHODS**

There are many type of employee appraisal method that managers may choose from when appraising their subordinates or general employees. The most common appraisal methods are:

**The 360-Degree Evaluation:** This appraisal method involves input from multiple levels within the firm and external sources as well. Robbins and Coulter (2007), note that this

method uses feedback generated from supervisors, employees, and co-workers. That is to say that it utilizes information from all the people the manager interacts with. Atwater and Waldman (1998) however note that many firms' uses this process for developmental purposes, and only the managers being rated see the feedback. A major advantages of this method is that it provide a non objective measure of a person's performance including the perspective of multiple sources results in a broader view of the employee performance and helps minimize biases that result from limited views of behaviour (Lespinger and Anntoinette, 1997). Additionally, having multiple raters also makes the process more legally defensible. This involvement, according to Mondy et al. (2003) is critical to ensure stakeholder's support of and commitment on the feedback process (Murphy, 2004).

**Rating Scale:** this appraisal method is used to evaluate employee according to defined criteria. In this method, Judgment about performance is recorded on a scale. The scale is divided into categories. This method generally allows for the use of more than one performance criterion. Mondy et al (2003) note that this method is simple, permits quick evaluation of many employees, and also facilitates the comparison of employee's performances.

**Essay:** In this method, evaluator writes out an employee's strength and weakness, past performance and potentials and also makes suggestion for improvement. Rating in this method depends greatly on the evaluator's writing ability (Robbins and Coulter, 2007; Mondy et al, 2003). Its major disadvantage is that it is difficult to compare because no common criteria exist. However, some managers believe that the method is not only the most simply but also an acceptable approach to employee evaluation.

**Work Standard:** in this method, an employee's performance is compares to a set standard or anticipated level of output. However in order for employees to perceive that the standards are objective, they should understand clearly how the standards were set.

**Critical Incident Method:** under this method, the rater is expected to show incident in the work situation in which the employee being evaluated has shown positive or negative influences in work situations. Factors such as initiative, judgment, creativity, etc, are to be shown (Nwachukwu, 2007: 296). The appraiser write down anecdotes that describe what an employee did that was especially effective or ineffective. The key here is that only specific behaviours, not vaguely defined personality traits, are cited.

**Behaviourally Anchored Rating Scales:** According to Maiorea (1997), this method combines elements of the traditional rating scales and critical incident methods. It consist of predetermine critical areas of performance or it is set of behavior statements that describe important job qualities what is good and what is bad. The appraiser rates an employee according to items along a numerical scale, but the items are examples of actual job behaviour rather than general descriptions of trait (Robbins and Coulter, 2007: 297; Mondy et al; 2003: 293).

## **PROBLEMS IN PERFORMANCE APPRAISAL**

Bue and Byars (2005:394) have identified several problems or errors in performance appraisal system. These errors are: Leniency, central tendency, recency and halo effect. Other problems identified by Mondy et al (2003) includes: personal bias, recent behaviour bias and manipulation of the evaluation.

**Leniency:** According to Bue and Byars (2005:394), it is the grouping of ratings at the positive end of the performance scale instead of spreading them throughout the scale. According to Mondy et al; (op cit), it is giving underserved by a desire to avoid controversy over the appraisal. Leniency may result in failure to recognize deficiencies that should be corrected. An organizational climate that openly tolerates mediocrity demoralizes high performing employees

**Halo Effect:** This occurs when a manager generalizes one positive performance feature or incident to all aspects of employee performance (Painter, 1999). As a result, the employee's general performance is neglected at alter of a single negative or positive incident or trait that is outstanding. (Nwachukwu, 2007:141).

**Recency:** This occurs when the performance evaluations are based on work performed recently. Generally, works are performed one or two months before evaluation.

**Central Tendency:** This occurs when the performance appraisal statistics indicates that most employees are evaluated similarly as doing average or above-average work (Mondy et al., 2003).

Another major problems in performance appraisal is when the rater rate the man and not the job- subjective evaluation of the employee based on the rater's likes and dislikes or whether he get along with the subordinate or not, or whether he likes his tribe, religion or language. This is generally known as personal bias. Since the areas of appraisals are often unclear and evaluations tend often to be based on the perceptions and judgments of an employee's immediate boss and not in measurement of actual performance, performance appraisal, most of the times, suffer from the subjective judgment of the immediate boss. The situation becomes worse in a situation where the employee being appraised is not in healthy relationship with the appraiser. Managers with prejudices or biases tend to look for employees behaviour that conforms to their biases. When an appraiser gives an employee a poor score on his/her appraisal, the employee may feel a loss of motivation in the workplace. Boswell and Benson (2000) in Wanjala and Kumutai (2015) state that it is important that the appraiser be well informed and credible, as employees are more likely to view the PAP as accurate and fair.

## **Factor to Evaluate During Employee Performance Appraisal**

Organizations evaluate certain factors in their employees during performance appraisal. Mondy et al., (2003:294) identifies some of these most common appraisal criteria as:

**Traits:** Some employees are evaluated on the basis of certain traits such as attitude, appearance initiative and so on. However, many of these commonly used traits are subjective and may be either unrelated to job performance or virtually impossible to define. When this happens, inaccurate evaluation may occur and may create legal difficulties for the organization.

**Behaviours:** When an individual's task outcome is difficult to determine, it is common to evaluate the person's task-related behaviour. Herman (1999) observed that stability provides another example of behaviour that may be important for organizational planning. If so, it should be measured in performance appraisals of executives as well as mid-level managers and front line supervisors. This is because desired behaviours may be appropriate as evaluation criteria because of the belief that it recognized and rewarded, they will be repeated. In addition, firms pay people salaries for behaving in certain ways that produce results.

Task Outcome: according to Mondy et al, (2003) if ends are considered more important than means, task outcomes became the more appropriate factor to evaluate. This approach is followed when a goals oriented process is used. Supporting this, Zigon (2000), posit that established outcomes should be within the control of the individual or team and should lead to the firm's overall success.

Improvement Potential: When an employee's performance is evaluated, the criteria used focus on the past. Therefore, attention must be given to the future and the behaviours and outcomes of that are needed to not only develop the employee, but also achieve the firm's goals. This involves the assessment of the employee's potential (Nwachukwu 2009:188). According to Lindo (1999), the manager needs to provide specific examples of how the employee can further his or her development and achieve specific goals.

### Concept of Performance

Organizational performance can be seen as the actual output or results that an organization has achieved output (or goals and objectives). It is the extent to which an organization was able to perform when it compare it goals, targets, or propose with those of its competitor. Scholam, Rose and Krupp (2005) argued that organizational performance can be operationalized in many ways which includes: profitability, market share, and return on assets or investment, changes in market share or profitability and new product success. They also identified customer's loyalty, sales growth and long-term survival. They contend that corporate performance can be satisfactory or unsatisfactory depending on if it is high or low respectively. This view is supported by Emenike (2016) who defines organizational performance as how corporation performs on contain criteria as profitability, market share, return on asset, and return on investment. Zeb-Obipi (2014) defines organizational performance as the record of achievements made by an organization at a given period of time. Performance results from individual and group effort plus organizational support. Organizational performance is the summation of the result or achievement of work done by all individuals and groups within an organization.

Organizational performance is a firm's position in an industry in relation to competition and industry average. It is the outcome of the performance or individuals and the entire groups in the organization. Individual performance lead to group performance and the performance of all the groups translate to the overall organization's performance. Chen, et al (2006) refers organizational performance as the transformation of inputs into outputs for achieving certain outcomes. The sustainability of any organization depends on the performance of individuals and groups within such organization. It is the ability of an organization to attain its goals by using resources within her reach in an effective and efficient manner (Daft, 2000). Nevertheless, the principal influence on the organization's performance is the quality of the workforce at all levels of the organization. Baridam and Nwibere (2008) note that 'performance is a multiplicative function of basic attributes of individual, work effort and organizational support'. They also contend that for performance to be considered as favourable, positive or high, the right mix of the factors noted to affect performance must be present. In other words, individual attributes, work effort and organizational support must all be present and positive at the same time.

For organizations to accomplish their goals, they must continually, look for better ways to organize and manage their work. There is a growing recognition that the primary source of an organization's competitive advantage is her human resources (Obiekwe, 2018b). Thus, improve performance may not be possible without the individuals and or groups, who work tirelessly toward the achievement of the organizational goals. The Business News (2019) sees organizational performance as analyzing a company's performance against its objectives and goals. In other words, organizational performance comprises real results or outputs compared with intended outputs. This analysis is on three main outcomes, namely: shareholder value performance; financial performance, and market performance. Financial performance refers to measuring a company's operations and policies in monetary terms. Market performance measures how well a company or product performs in the marketplace. Shareholder value performance looks at how much a company enriches its shareholders. Performance take into account both inputs (the effort put in) and outputs (the result of the effort put in), and is achieved when every efforts are directed towards achieving the set objectives and meeting customer's satisfaction. Neely et al (2002) believes that performance should consider quantifying the efficiency and effectiveness of actions and can be expressed in qualitatively and quantitatively terms. Organizational performance has been evaluated using several indices which include: adaptability, profitability, innovativeness, growth, increased market share, return investment, among other.

### Relationship between Performance Appraisals and Organizational Performance

The overall performance of an organization is a function of the performance of the individuals and teams/groups in the organization, which also depend on many factors of which how the individuals are appraised is a critical factor. Thus the output of every organization depends on how well and how much the performance of an employee is appraised and evaluated. Girma, Lodesso and Sorsa (2016) found that discussing the appraisal with the employee and giving feedback and indicating corrective action, have significant effect on employees performance. Performance appraisals is a vital factor in enhancing the performance of the employee in an organization, as the way an organization manages their employees reflects on the level of performance and results they achieve. Since effective appraisal activities provide the employee with feedback on his performance, the feedback helps the worker to know where he has fallen short of some expectations and therefore focuses effort to improve on those areas. This therefore help to provide direction and control, thereby eliminating or reducing deviations from set targets and thus, enhance the individual performance which translate to organizational performance. Performance appraisals are often linked to incentives such as raises and promotion for a worker whose performance is reviewed as high, and job cuts for a worker whose performance is reviewed as low (Joison, 2001).

### CONCLUSION

The performance appraisal is a vital part of the human resources department's input to an organization, and is an important tool used to assess employees' efficiency and performance in the workplace and it usually takes the form of periodic review to evaluate work performance. The central

purpose of an appraisal system is to improve the employee performance that will lead to the organization's success. An effective appraisal not only eliminates behavior and work-quality problems, it also motivates and stimulates an employee to contribute more wholeheartedly to his organization. Performance Appraisal is desirable and needed by organizations in order for them to operate profitably and enhance both employee and organizational performances. As business organizations are in a strategic sector that requires effective and efficient planning and critical management, a well-planned performance appraisal exercise is therefore highly needed to position organizations and employees to be competitive and productive. Performance appraisal enhances staff productivity, staff efficiency, and staff motivation. Finally, performance appraisals are only as good as the performance management system it operates within. Any organizations that do performance appraisals for the sake of doing so is wasting its time. However, organizations that integrate performance appraisals into their broad performance management system and use them to execute business goals have an advantage for accomplishing their goals and ultimately their strategic plan.

### RECOMMENDATION

Based on our review and discussions, it is recommended that managers should improve on the training and development needs analysis element of performance appraisal policy in order to meet the aspirations of employees. This is because a well-adequate training and development is required for increased employee performance and organizational growth. Organizations should be purposeful and productivity-oriented in the use of performance appraisal exercises. Managers should realize that performance appraisal must be a comprehensive and continuous process rather than an event that occurs yearly.

Management must avoid the temptation of utilizing only performance appraisal reports as the only yardstick for determining suitability for promotion, salary increment as well as training and development of employees, as some managers do not produce objective and true reports about an employee who is not in their good book. Employees should also be properly educated on the purpose of performance appraisal exercises so that they are clearly aware that it is not a weapon of punishment but an instrument designed to assist them to grow. A good number of managers use performance appraisal reports to punish an employee who is not in their good book. This is most unfortunate.

Management should provide the employees with timely feedback whether results are positive or negative so that they may know whether their performances are in line with the expectations or goals set by the management. There should also be rewards for positive results as well as training for negative results in order to empower the employees. It is good to involve the employees in determining the rewards they are to receive for good performance. This will serve in no small measure to motivate them to positive actions. Additionally, managements should set up and adopt performance appraisal systems in order to help them identify staff training needs, help employees meet performance targets, offer poor performers a chance to improve, and permit the managers to make informed decisions about promotions and assignments based on applicable facts, improve employees' synergies.

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