The Open and Closed Performance Appraisal System: Employees’ Perception of its Implication for Productivity in the Nigerian Banking Sector

Abiodun Adekoya OSHODE, Sunday Oluseye ALADE, Olukayode Victor OGUNRO

1-2 Department of Business Administration, Ekiti State University, Ado Ekiti, 3Department of Marketing, Rufus Giwa Polytechnic, Owo, Ondo State, NIGERIA.

1abiodunoshode@yahoo.co.uk, 2oluseyealade@gmail.com, 3kemikayo@yahoo.com

ABSTRACT

This study evaluates the possible disparity between open and closed feedback system of performance appraisal with a view to establish their appropriateness in guaranteeing employees’ productivity in the Nigerian banking industry, with a sample of one hundred and ninety five (195) drawn from banks with branches in Ado Ekiti, the capital city of Ekiti State. The samples were gotten via random sampling of the entire 360 staff members of the bank branches in Ado Ekiti. The research instrument used was adapted from Mamburg’s (2010). Chi square was employed for data analyses and Z test for hypothesis testing. The Chi Square Value of 28.745 and 254.157 for closed and open feedback system respectively depicts that open feedback system of Performance Appraisal guaranteed more productivity on the part of employees. The study concluded that openness is required for a successful administration of the performance appraisal system.

Key words: Performance Appraisal; Employee productivity; Open ended PA system; Close ended PA system; Nigerian banking sector

INTRODUCTION

In recent years, it has been argued that research on performance appraisal has not impacted on the practice of performance appraisal because it has not focused enough on performance improvement as a goal of appraisals. A review of various academic literature (Murphy and Cleveland, 1995; Gomez-Mejia, Balkin and Cardy, 2006), suggest that much of the research on the topic has been focused on developing more reliable and valid measures of performance to source of criterion measure for validation. While this is an important goal, valid and reliable ratings are not an end in themselves, but a step in the process of using appraisal to improve productivity. The complexity and implication of performance appraisal system on employees’ productivity within an organization is great and it deserves proper evaluation. There are some methodological assumptions that are made by those adopting formal performance appraisals. This was the position of Roberts and Pregitzer (2007), while considering the need for managers to be fair to employees while conducting appraisal exercise.

However, in the real sense of it, the performance appraisal system is the most common way by which employees can progress in organisation – via promotion. For every individual thirst of achievement, he/she is expected to put in his/her best in such a way that when appraised, the resultant effect would come out favourably to guarantee promotion. It is of common knowledge therefore that individuals when not properly rewarded for a task and job well done over a period of time might feel uncomfortable displaying a similar skill in the future, as such this may affects his/her performance level. Appraisal is seen as an annual thing in most
organisations, but the truth is that the annual event is an accumulation of all events that transpire throughout the year. Since employees behaviour and productivity is not secret to all (senior, colleagues and juniors as well); the outcome of the performance appraisal system might be capable of sending wrong signal after the exercise if not properly executed. For instance, scoring a generally lazy staff high where adjudged hard working staff is scored low for whatever reason might result into apathy and staff members could begin to lose interest in doing their job well, thus, taking refuge in cheer laziness and organisational politics to earn a good performance appraisal points.

LITERATURE REVIEW

Performance Appraisal is the most powerful instrument for mobilizing employees in organisations in order to achieve the strategic goals of the organisations. Previously, researchers like Bartlett and Kang (2004); Schuler, Farr and Smith (2008).and Seifert, Yee and Chen (2009).opined that performance appraisal is a step where the management finds how effective it has been at hiring and placing employees. Formal appraisal has become a widespread instrument of human resource management. Bladen (2001).saw Performance Appraisal as the process of evaluating the performance and qualifications of the employee in terms of the requirement of the job for which he is employed, for the purpose of administration including placement, selection for promotion, providing financial rewards and other actions. According to Boswell and Boudreau (2001), Performance Appraisal can be described as a systematic attempt to distinguish the more efficient workers from the less efficient workers and to discriminate among strength and weaknesses an individual has across many job elements. Coens and Jenkins (2000).described Performance Appraisal as a measurement of how well someone performs job relevant tasks.

Most modern organisations rely on some forms of performance appraisal system to provide employees with feedback about their performance and to help the organization make decisions about such things as pay increases and promotions (Cleveland, Murphy, and Williams, 1989; Oshionebo, 2000). Research on performance appraisal dates back at least as far as the early 1920’s, and has continued to the present day. Therefore, it would seem reasonable to assume that practitioners could look to this research and find out how to design and implement performance appraisal systems that would help organisations improve individual performance. Yet this is not the case. In fact, practitioners continue to complain about how academic research in this area has been of limited usefulness, and how academic continues to bemoan the state of affairs on the practice front (Colquitt, Conlon, Wesson, Porter, and Ng, 2001; Smither and Walker, 2004; Sorush, 2000). Furthermore, as reported by Pulakos (2004), a recent survey indicated that only one in ten employees believes that their firm’s appraisal system helps them to improve performance. This is indeed a problem which needs to be addressed. The gap between research and practice has been documented by many writers, therefore, there exist a gap in the area of performance appraisal. The possible explanations for the gap is that academic research has provided answers but practitioners are simply not aware of the relevant findings and much of the research mainly focused on measurement issues which has not really been helpful to practitioners who must find ways to improve performance.

Performance Appraisal is a process which studies and evaluates the job performance of personnel formally (Cleveland, Mohammed, Skattebo and Sin, 2003; Nicholas – Omoregbe, 2009; Ldana, 2008). Appraisal is an effective instrument in the human resources management and if it is performed correctly and logically, the organisations will achieve their target. The act of motivating employees is in the heart of the organization and success in
every organization depends upon the personnel motivation conducted by their directors (Idoko, 2007). Identifying the proficient employees and presenting them rewards as a sign of motivation in other to improve their performance are among the essential factors in performance appraisal (DeNisi and Kluger, 2000; Eneanya, 2005). Kavussishal (1999). believes that the appraisal system is a good instrument to improve the quality and quantity of the manpower’s performance. Nowadays, performance appraisal is considered as an important aspect in human resources management and a part of the control process in administration (Sulskey and Kline, 2007; Tubre, Arthur and Bennett Jr., 2006 and Maji, 2006). By appraising individual performance, areas of strength can be identified and re-enforced while areas of shortcomings can be communicated and encouraged to re-direct their work habits towards attaining improved performance. Examining the Nigeria banking industry therefore; where staff performance are measured on staff delivery and customers services, it would only be necessary to undertake a study to assess whether or not an effective performance appraisal system will serve as an enhanced tool for employees’ performance.

Performance appraisal system is the most common way by which employees can progress in organisation – via promotion. For every individual thirst of achievement, he/she is expected to put in his/her best in such a way that when appraised, the resultant effect would come out favourably to guarantee promotion. It is of common knowledge therefore that individuals when not properly rewarded for a task and job well done over a period of time might feel uncomfortable displaying a similar skill in the future, as such this may affects his/her performance level. Appraisal is seen as an annual thing in most organisations, but the truth is that the annual event is an accumulation of all events that transpire throughout the year. Since employees behaviour and productivity is not secret to all (senior, colleagues and juniors as well); the outcome of the performance appraisal system might be capable of sending wrong signal after the exercise if not properly executed. For instance, scoring a generally lazy staff high where adjudged hard working staff is scored low for whatever reason might result into apathy and staff members could begin to lose interest in doing their job well, thus, taking refuge in cheer laziness and organisational politics to earn a good performance appraisal points.

Copious literature have established the fact that Performance Appraisal affects labour turnover intention, that is, the intention of employees to leave the present job to look for another job and actual turnover (Egan, Yang and Bartlett 2004). One of the preeminent purposes of appraisals is to positively affect future performance ( Huffian and Cain 2000; Swanson and Holton 2001). As Latham and Wexley (1993), states that the basic purpose of conducting Performance Appraisal is to improve the performance of the affected employees. The Performance Appraisal purposes like communication of super-ordinate goals, the capacity of Performance Appraisal to increase employees' perceptions of being valued and being part of an organisational team (Levy and Williams 2004), and the social exchange argument (Lee and Bruvold 2003), also effect turnover intention. Performance Appraisals are effective tool for managers to enhance their organisational effectiveness, despite this; managers are reluctant to use Performance Appraisal. According to some studies (Jaworski and Kohli 1991), Performance Appraisal helps in improving performance and building both job satisfaction and organisational commitment. Alternately, this helps in lowering down the turnover levels (Babin and Boles 1996; Babakus, Cravens, Johnston and Moncrief 1996). Kuvaas (2006), observed positive findings regarding turnover intention with Performance Appraisal satisfaction, that those employees who are satisfied with how Performance Appraisal is conducted have lower turnover intentions. Performance Appraisals in performance management are considered critical. Several studies emphasized fairness of procedures used for Performance Appraisal. Unfair procedures used in Performance
Appraisals create job dissatisfaction (Erdogan 2002; Nurse and Devonish 2007; Simmons and Lovegrove 2002; Vigoda 2000). Some other studies found that for the evaluation process to be effective, it should be perceived as being fair. Further fairness (as measured by perceived equity) is positively related to the employee's level of job satisfaction (Huffhian and Cain 2000).

Employee performance, usually operationalised as performance ratings, has been the most commonly used criterion measure for validating selection tests. The process of test validation is critical for any organization because it establishes a relationship between scores on the test and performance on the job. If there is not a meaningful relationship between these two, there is no reason or benefit to using the test for selection. In fact, given that there are costs (both real and opportunity costs) associated with using tests or interviews as a basis for selection, it is economically irrational to use such a selection device unless validation has shown the measures to be meaningful predictors of job performance. Thus, all books and articles on measurement emphasize how important it is to validate any test, but especially (from our perspective in management) to validate selection tests. Specifically, organisations wishing to use tests for selection needed to find statistically meaningful relationships between tests and performance. Such relationships indicate that the test is measuring what was intended and could be useful in selecting employees. Clearly, it was important to find and use the best measures of job performance in order to maximize the likelihood of detecting a significant relationship. In a classic article, Dunnette (1963) noted that, in some cases, the reason why organisations failed to find meaningful relationships between test scores and performance was not because of faulty tests, but because of faulty performance measures. That is, if we could develop reliable, valid, and accurate measures of performance, we would increase the chances of finding significant relationships between test scores and performance. The statistical reasons for this statement lie beyond the scope of the article but basically, one obtains the strongest relationship with a reliable predictor and a reliable criterion. So, assuming that organisations were using the best tests, the validation process would be easier if they also used reliable and valid performance measures. This article by Dunnette (1963) helped launch a drive towards increasing the reliability, validity, and ultimately the accuracy of performance appraisals.

As with most expectancy theories, motivation is a future-oriented concept in that people anticipate the amount of need satisfaction that will occur when outcomes are received. It is this anticipated satisfaction that determines behaviour. As the person makes choices of how much time and effort to devote to which tasks, the goal is maximizing the total anticipated need satisfaction. Motivation is based on perceptions. It is the perceived relationship between applying energy to actions and need satisfaction that influences how much energy is devoted to that action. These perceptions may or may not be accurate, but are similar to the concepts in other expectancy theories, and as we will discuss below, they represent the areas where performance appraisal is most likely to have an impact. The action-to-result (A-R) connection describes the person’s perceived relationship between the amount of effort devoted to that action and the amount of the result that is expected to be produced. The person may see a very strong or a very weak relationship. The result-to-evaluation (R-E) connection reflects the person’s perceive relationship between the amount of the result that is produced and the level of the evaluation that is expected to occur. There would be such a connection for each different result and for each evaluator. The evaluation-to-outcome (E-O) connection defines the perceived relationship between the level of the evaluation and the level of an outcome that will occur based on that evaluation. For example, if pay rises are totally based on the supervisor’s evaluation, there would be a strong evaluation-to-outcome connection between the evaluation and the size of the pay rise. The final type of connection is
the outcome-to-need satisfaction (O-NS). connection. This defines the relationships between how much of the outcome is received and the degree of anticipated need satisfaction that will result. Taken together, these connections provide the framework for understanding how appraisal and feedback can lead to improved performance. As reported by Pulakos (2004), a recent survey indicates that only one in ten employees believe that their firm’s appraisal system helps them to improve performance. Clearly, there is a problem.

What has led to this state of affairs? There is no one simple answer. The gap between research and practice has been documented by many writers, therefore we should not be that surprised to see such a gap in the area of performance appraisal. But academic research in some areas of management (such as selection and compensation for example) has been able to inform practice, and so we must look for additional reasons. One possible explanation is that academic research has provided answers, but that practitioners are simply not aware of the relevant research findings. This problem appears to be fairly widespread in the field of management (Rynes, Brown, and Colbert, 2002), and it no doubt plays a role in the appraisal area as well. But we believe that another major reason for this gap is that much of the academic research on performance appraisal has been focused on measurement issues (although we will discuss some recent exceptions), which has not really been helpful to practitioners who must find ways to improve performance.

In summary, going through the positions of the existing literature, it can be deduced that in order to maximize the strength of the critical results-evaluation connection, it is important that appraisals focus on results that are under the control of the employee, apply and communicate clear, consistent standards to the employees, and allow employees voice and participation in the development and/or application of the appraisal system. In other words, the appraisal system should be designed in a way to maximize the perceived fairness of the system. Note that these factors are quite similar to those discussed in studies of employee reactions to appraisals (Levy and Williams, 2004). As also noted, these reactions play an important role in fostering performance improvement, but we must go beyond simply examining those reactions as an end to themselves, and consider them as part of the broader context of employee motivation to improve performance.

However, examining the evaluation-to-outcome connection, emphasis should be primarily on developing performance management systems to increase the strength of these perceived links, and so we begin with a general proposition: Finally, since motivational model deals with the link between outcomes and need satisfaction. This too is more relevant for performance management, and the implications for performance improvement are quite simple. The model by extension suggests the value of outcomes in satisfying needs which is a function of the current needs state and the number of needs the outcome satisfies. Although the organization may not easily alter need states (other than to satisfy some), it can ensure that as many important outcomes as possible are provided to increase the likelihood of need satisfaction. One very good position is that all scholars who had studied in the areas of Performance Appraisal is of the opinion that if properly managed, it can bring about motivation and as such conducting a research on it in the banking industry would serve as a useful addendum to the existing pools of literature.

**METHODOLOGY**

Providing an empirical investigation into this study, with a view to achieving the set objective and providing answers to the research question, a survey research was adopted. However, since bank branches are subsets of a whole (the bank), and branches don’t embark on partial performance appraisal, but rather encourages a detailed and centralised system of appraisal,
where common yardsticks are employed, any selected branch of bank would be seen as a true reflection of activities in the bank.

The target population of this study is the entire full time/regular staff of selected banks in Nigeria. The choice of full time staff is borne out of the fact that only these categories of staff are exposed to appraisal, as contract/casual staff do not have the benefit of being appraised. It is worthy to note that only 24 banks survived the recapitalisation hurdle introduced in the late 2005 to early 2006. However, out of all these banks, only 16 of them whose branches are located within Ado Ekiti metropolis shall be considered. Major branches are mentioned here, since some of them have multiple branches within the metropolis; more importantly, some of the branches in the University community. The total population however is 380 respondents. The population of the study is 380 respondents. Selecting sample from this population in each of the 16 banks, Taro and cited in Muo (2000) was adopted in determining the number of sub-samples to be chosen within the sixteen sampled banks to determine the number of respondents.

\[
n = \frac{N}{1 + Ne^2}
\]

Where;

- **n** = anticipated samples
- **N** = population size
- **e** = acceptable error term (0.5)
- **n** = \(\frac{380}{1 + 380(0.05)^2}\)
- **n** = 195

The sample size for this study was 195 respondents. These samples were selected using the simple random sampling technique with the aid of a random table. That is a scientific table purposely introduced by researchers and academics for the purpose of random sampling. Arriving at this figure therefore, the same model was applied to the population of each of the branches and their respective samples derived. Primary data were used in this study. This was because variables under examination are personal issues and require each of the involved respondents to give clear information about the variable. Sourcing for these data therefore, a well structured questionnaire shall be employed. Considering the subjectivity of Performance Appraisal a 5 point scale Likert-type research instrument was adopted. By implication, required data shall be gathered from questionnaires administered on the respondents. The Research instrument used was the standardised Mamburg’s questionnaire, adapted from the work of Aghassi (1999). in his study of employees’ productivity in the Hospital Business.

In an attempt to ensure that questions associated with variables identified in the study (as reflected in the research instrument) reflects same responses at different times and intervals and still lead to the same result. Questionnaire was administered randomly on first sight first chosen 10 respondents each from 5 selected banks in Lagos state. This brought about a total number of samples for the pilot study into 50 respondents. The 5 banks were selected using a non probabilistic technique. That is, convenience sampling. This was carried out and repeated twice; results from the three experiments were compared and a Pearson correlation value of +0.763 was derived, meaning that the instrument was validly constructed and could be adjudged good for the purpose for which it was designed. To test for reliability therefore, a pretest study is required. As such, an interim pilot survey was done via a test retest undertaken three times by asking questions on what different respondents feel about the meaning of questions contained in the study. However, ambiguity is avoided to the barest minimum in the content of the research instrument (Okafor, 1999 and Ojo, 2003). Analysing
the data of this study, Chi square analysis was employed and for hypothesis testing, Z-test was used.

RESULTS AND INTERPRETATION

18% of the respondents have less than 5 years of work experience in the service of Nigerian banks. The implication is that fewer members of the respondents have spent less than five years. Also, 56% of the respondents have spent between 6 to 10 years in service and 26% spent more than 10 years in service. Considering the fact that appraisal is an annual (even bi-annual in some banks; Zenith for example), the least number of times a respondent of this study would have been appraised is 5 times. This is considered a sufficient number of times for the required experience for the respondents and it would help the quality of their responses. There is a seeming balance in staff distribution by gender, arising from the percentage distribution of male: 57% and female: 43%. This revealed that both males and females are involved at almost equal proportion in the study, which of course would assist in getting a fair deal of information from respondents. There were more junior staff (88%).than their senior counterparts (22%).involved in the study. Naturally, banks operate a pyramid structure, where we have fewer people at the top and the base densely populated. Meanwhile, both senior and junior level staff members require appraisal to move along the cadre, but it could be inferred by interaction with some senior staff members of the selected banks that appraisal at the higher level is more political than objective. The fact that we have more junior than senior staff on the respondents’ list will enhance quality of responses to be achieved.

Table 1. Analysis of Performance Appraisal Method

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>N</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pair 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CLOSED FDBK SYSTEM</td>
<td>3.1137</td>
<td>255</td>
<td>1.50550</td>
<td>.09428</td>
</tr>
<tr>
<td>OPEN SYSTEM FDBK</td>
<td>3.7412</td>
<td>255</td>
<td>.86242</td>
<td>.05401</td>
</tr>
</tbody>
</table>

Source: Author’s field survey (2013)

From the positions of DeNisi and Kluger, (2000); Bono and Colbert (2005), two major feedback methods of Performance Appraisal system were postulated, that is closed and open system feedback. The result in Table 1 revealed a standard deviation of 1.505 and 0.862 for closed and open feedback systems respectively. The implication is that, an open system feedback contributes more to improved productivity than the closed feedback system. What this suggests is that, for an organisation that is desirous of positive change in employees’ attitude to work for improved productivity; efforts must be made to introduce certain level of transparency, by ensuring that employees get feedback openly on their Performance Appraisal, whether positive or negative, since this is adjudged to have a more significant effect on employees’ productivity.

Table 2. Test of Hypothesis by Chi square

<table>
<thead>
<tr>
<th></th>
<th>CLOSED FDBK SYSTEM</th>
<th>OPEN FDBK SYSTEM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square(a)</td>
<td>28.745</td>
<td>254.157</td>
</tr>
<tr>
<td>Df</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Asymp. Sig.</td>
<td>.000</td>
<td>.000</td>
</tr>
</tbody>
</table>

Source: Author’s field survey (2013)
From the result shown in table 2, the two feedback methods (closed and open system), though are significant but there exist a difference in the level of their significance. Going by Chi square of 28.745 (closed feedback system) and 254.157 (open feedback system). The implication is that, though, the two methods are significant in impacting on employees’ productivity, but there is a significant difference in how the two feedback methods impact on employees’ productivity. From the result of data analyses, open feedback system of Performance Appraisal system add more to the productivity of employees in the Nigerian banking industry. In all, this study concluded that there is no organisation that can survive without putting in place a genuine PA system.

CONCLUSION

It can be deduced that to maximize the strength of any appraisal processes, appraisals should be focussed on results that are under the control of the employee, clear and consistent goals and standards should be well communicated to the employees and employees voice and participation should be allowed in the appraisal processes.

From the study, the following reasons are deduced for performance review,

i. Performance Appraisal is used for validating the selection process in the banking industry.

ii. Performance Appraisal is used as evaluating processes by the administration department to determine promotion, transfer and the need for more training for employees.

Conclusively, the study identified that for Nigerian banks to earn good performance from their employees, adequate attention should be paid to the Performance Appraisal system. However, an unjust management of the Performance Appraisal system is capable of hampering on the possible outcome. The outcome of this research findings thus lead to the recommendation that both open and closed feedback Performance Appraisal system contributes significantly to employee productivity, but the open system is more significant in contributing to improved employee productivity.
REFERANCE


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