

## Relationship between performance appraisal practices and employee performance among selected clearing and forwarding firms in Mombasa County

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### Abstract

This study aimed at investigating the relationship between performance appraisal practices and employee performance among selected licensed clearing and forwarding firms in Mombasa County. The study is important because it highlights some vital issues and provides guidelines on necessary aspects that show the relationship between the two. The study adopted a survey research design, where all the human resource managers/ officers in the selected logistics firms were targeted for the study. The investigation was carried out using closed ended questionnaires which were given to (38) thirty-eight human resource managers who were chosen to represent their respective firms in the study using simple sampling method. Descriptive statistics was used whereby the information were presented into charts, tables and graphs. The study found that there is a significant relationship between employee performance relation and the independent variables (Management by objectives, 360-degree appraisal, rating scale method, check list method and behavioral anchored rating scale), Management by objectives  $p=0.026$ , 360-degree appraisal  $p=0.004$ , rating scale method  $p=0.000$ , check list method  $p=0.002$  and behavioral anchored rating scale  $p=0.022$ . The study concluded that all the independent variables which are the appraisal techniques practices have a relationship with employees' performance among selected clearing and forwarding firms and recommends the management of the selected firms to formulate a committee that can ensure the appraisal techniques practices are reviewed time to time.

**Key words; Performance appraisal, employee's performance**

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### I. Introduction

High employee's performances lead an organization and have greater opportunities for employees than those who have low performance (Vans cotter, 2015). "Performance is related to that organization hires the person to do and do well" (Campbell 2012). Performance is not only related to the acting but also involves judgment and evaluation process (Ilgen & Schneider, 2010). The activities that can be examined and measurable are reflected as performance (Campbell, 2012). Organizations need highly performance of its employees so that organization can meet their goals and can able to achieve the competitive advantage (Frese, 2012).

Employee job performance (EJP) is an indicator of an organization's efficiency and productivity (Colquitt et al., 2011). Additionally, employee job performance is an important contributing factor to organizational success because it is an appraisal of employees' job performance. Additionally, job performance is a vital criterion for companies and for organizational outcomes and success (Lakhali et al., 2016). For this reason, businesses should strive to improve employee performance (Na-Nan, 2016; Na-Nan et al., 2017; Waal & Oudshoorn, 2015; Considering the significance of employee performance on profitability and on long-term organizational success, it is of paramount importance to develop a reliable tool to gauge employee job performance on a continual basis.

According to Jeong and Phillips (2010) and Bartuševičienė and Šakalytė (2013), an employee performance measurement should take into account the resource-efficiency dimension of job performance. Nan and Chalermthanakij (2012) stated that the measurement of employee job performance requires the consideration of three job performance dimensions: job time, job quantity, and job quality. Thus, attention should be paid to the scale used to measure employee performance. Both researchers and practitioners can benefit from good instruments to measure employee performance, as these instruments will help to illustrate the output of employee behavior (Groen et al., 2017).

In the organizational context, performance is usually defined as the extent to which an organizational member contributes to achieving the goals of the organization. Employees are a primary source of competitive

advantage in service-oriented organization. In addition, a commitment performance approach views employee as resources or assets and values their voice. Employee performance plays an important role for organizational performance. Employee performance is originally what an employee does or does not do. Performance of employees could include quantity of output, quality of output, timeliness of output, presence at work, cooperativeness (Güngör, 2011). Macky and Johnson pointed that improved individual employee performance could improve organizational performance as well.

Globally, different performance appraisal practices are used depending on industry, cadre of employees and company cultures. Today, many organizations have realized the critical role played by performance appraisal and therefore its adoption has significantly increased. This is incorporated by management in different firms in an effort to try and survive in a global economy. According to Pichler (2012), most firms have adopted performance appraisal for the purpose of exploitation and utilization of their resources so as to keep up with competitive forces. The human resource is one the most significant resources that organization rely on in attaining competitive advantage. However, the overall productivity of these human resources should constantly be reviewed, and this calls for performance appraisal programs in organizations (Whiting, Podsakoff & Pierce, 2008).

Performance appraisal is one of Human Resource Management Practices (HRMP) that has been well researched in both developed and developing countries and it has equally been identified as a strong motivator. Performance appraisal is considered as important human resource function because performance appraisal results are used for managerial decision making and for variety of other purposes including administrative decisions, employee development and personnel research (Muhammad & Surayya, 2013).

Clearing and forwarding firms in Mombasa started way back in 1990s. Clearing and forwarding agents companies are actually the third-party logistics services providers handling and managing the operations of cargo shipment, or other words they are a party in facilitating an international supply chain logistics.

According to Kiruja and Mukuru (2013), the overall success of an organization in achieving its strategic objectives relies heavily on the performance level of employees. Employee performance is a function of ability and motivation, where ability is comprised of the skills, training and resources required for performing a task and motivation is described as an inner force that drives individual to act towards something.

Many organizations experience low productivity despite their acclaimed effective performance appraisal system (Armstrong, 2009). Many organizations are experiencing low productivity and performance due to ineffective appraisal system. Performance appraisal is viewed and conducted solely in terms of its evaluative aspect thereby overlooking its use for facilitating growth and development in workers through training, coaching, counselling and feedback of appraisal information (Asamu, 2013). The inability of many organizations to install an effective performance appraisal strategy has hindered them from achieving competitive advantage (Obisi, 2011). The evaluation system identifies the gap of performance (if any). This gap is the problem that occurs when performance does not meet the standards that are set by the organization.

Many clearing and forwarding firms do not perform performance appraisal to gauge their employees on the organization and individual productivity hence improve their performance. This is due to cost cutting on the expenditure as performance appraisal exercise is expensive and time consuming thus why the clearing and forwarding firms shy away from this exercise. Therefore, this study ought to find out the relationship between performance appraisal and employee performance in clearing and forwarding firms.

### **Objective of the study**

The objective of the study was to assess the relationship between performance appraisal practices and employee performance among selected clearing and forwarding firms in Mombasa County.

## **II. Methodology**

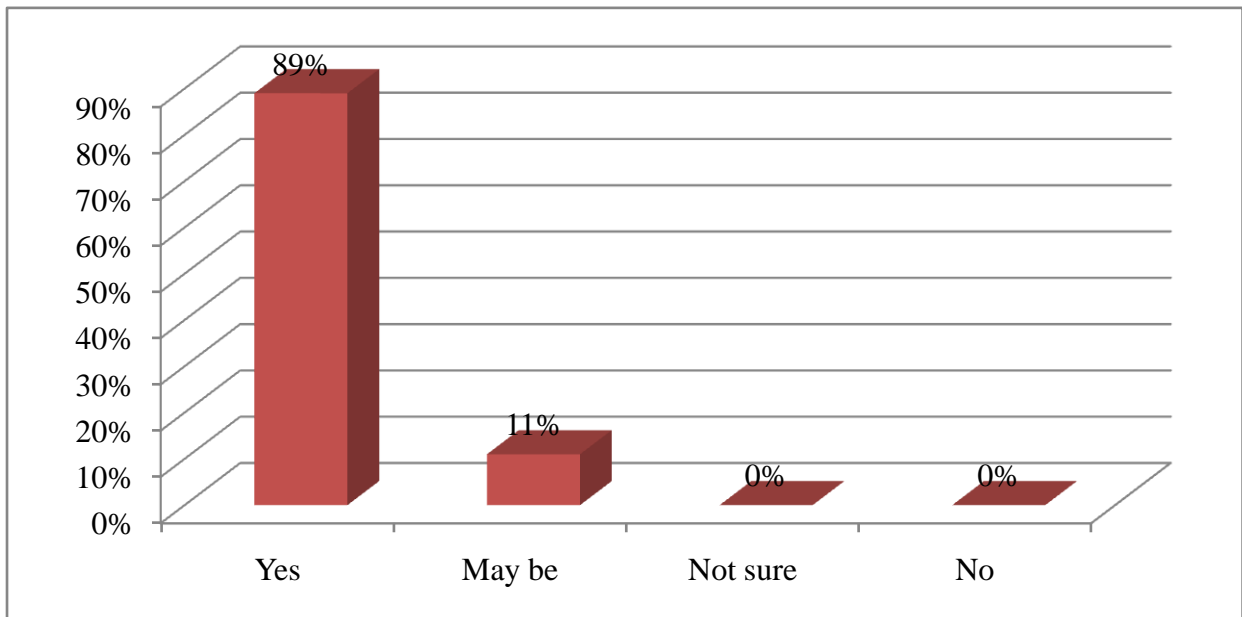
The study adopted a survey research design, where all the human resource managers/ officers in the selected logistics firms were targeted for the study. The investigation was carried out using closed ended questionnaires which were given to 38 human resource managers who were chosen to represent their respective firms in the study using simple sampling method. Data was analyzed using SPSS version 23 and presented through descriptive and inferential statistics.

## **III. Results**

The target population for this research study was made up of 37 selected clearing and forwarding firms in Mombasa County. All the responses from the sampled 37 entities were obtained except 7 entities giving a response rate of 81%. The study also sought to establish the gender of the respondents, the findings revealed that 62% of the respondents were male, while 38% of them were female. The findings therefore revealed that majority of the managers of the sampled classified companies were male.

**Performance appraisal practices and employee Performance**

The research study sought from the respondents to establish whether there is a relationship between performance appraisal practices and employee Performance and figure 1 shows the response.

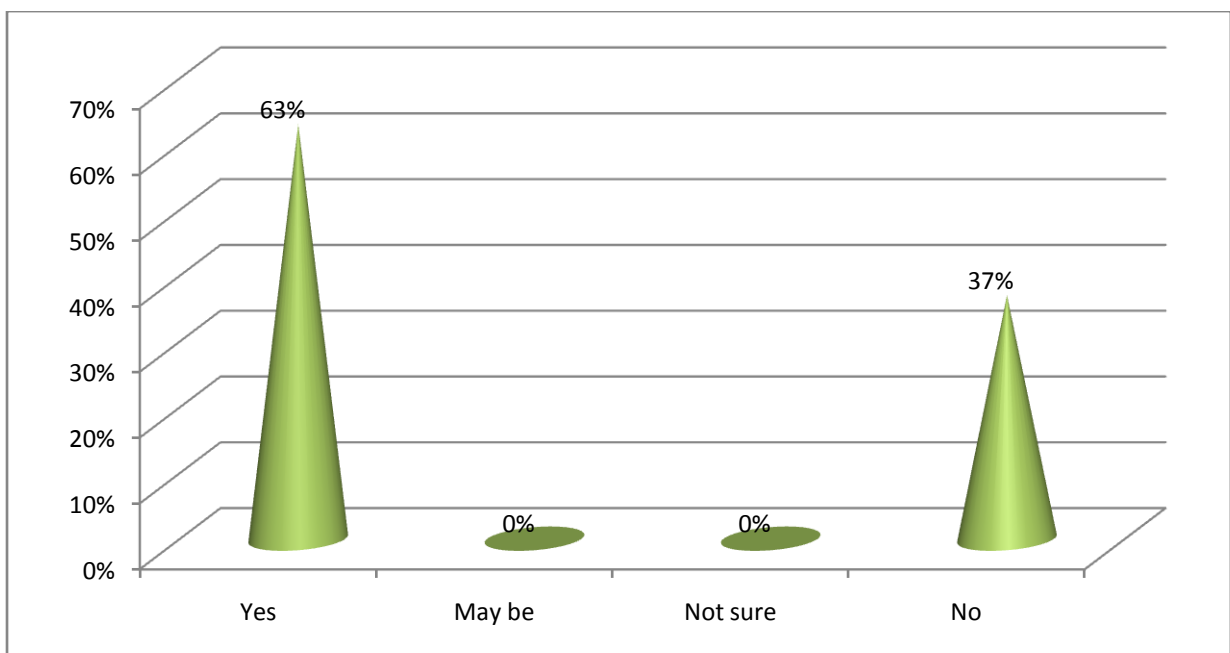


**Figure 1** Performance appraisal practices and employee Performance

The result in figure 1 shows that majority n=27 (89%) of the respondents indicated yes meaning they agreed that there is a relationship between performance appraisal practices and employee Performance, 11% indicated may be while none of them indicated not sure nor no. This result indicated that majority of the respondents agreed that there is actually a relationship between performance appraisal practices and employee’s performance which is virtual to the clearing and forwarding firms.

**Conduct of performance appraisal for employees**

The research study sought from the respondents to establish whether the company conduct performance appraisal for employees and the result of the response is shown in figure 2.



**Figure 2** Conduct of performance appraisal for employees

The result in figure 4.4 shows that n=19 (63%) of the respondents indicated yes meaning that majority of the personnel who participated and responded agreed that their company conduct performance appraisal for employees. Most of the respondents agreed that they do conduct performance appraisal in their companies.

### **Performance appraisal practices and employee's performance**

**Table 1: Performance appraisal practices and employee's performance**

| <b>Statements</b>  | <b>N</b> | <b>Mean</b> | <b>Std Dev.</b> |
|--|----------|-------------|-----------------|
| Employees always provide timely responses to clients' queries                            | 30       | 4.1667      | .94989          |
| Employees are efficient in the usage of company's resources (i.e. cost minimization)     | 30       | 4.0667      | 1.25762         |
| The work or services performed by employees are of high quality                          | 30       | 4.2000      | .88668          |
| Employees always meet their specified targets  | 30       | 4.3667      | 1.39168         |
| Employees are innovative and creative in handling issues and coming up with new products | 30       | 3.7000      | 1.29055         |

Further the study sought to establish the respondents level of agreement and disagreement on the aspect of Performance appraisal practices and employee's performance such as the aspects of Employees always provide timely responses to clients' queries, Employees are efficient in the usage of company's resources (i.e. cost minimization), The work or services performed by employees are of high quality, Employees always meet their specified targets and Employees are innovative and creative in handling issues and coming up with new products. The results indicated scores above mean with aspect of Employees always provide timely responses to clients' queries scoring a mean of 4.1667, According to Fletcher (2011), performance appraisal has increasingly become part of a more strategic approach to integrating human resources activities and business policies which can be seen as a generic term covering a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards. In the same vein, Anso (2014) attests that performance appraisal has emerged as a tool for enhancing organizational growth and professional development. Performance appraisal is a continuous process through which performance of employees is identified, measured and improved in the organization. Employees are efficient in the usage of company's resources (i.e. cost minimization) mean of 4.0667, The work or services performed by employees are of high quality mean of 4.2000, Employees always meet their specified targets and Employees are innovative mean of 4.3667 and creative in handling issues and coming up with new products mean of 3.7000.

### **Regression analysis**

The main objective of the study was to establish the relationship between performance appraisal practices and employee's performance among selected clearing and forwarding firms in Mombasa County. The study used multivariate regression analysis in establishing this relationship. The dependent variable of the study was employee performance while the independent variables were: Management by objectives, 360-degree appraisal, rating scale method, check list method and behavioral anchored rating scale.

**Table 2: Model Summary**

| <b>Model</b> | <b>R</b>          | <b>R Square</b> | <b>Adjusted R Square</b> | <b>Std. Error of the Estimate</b> |
|--------------|-------------------|-----------------|--------------------------|-----------------------------------|
| 1            | .888 <sup>a</sup> | .788            | .743                     | .209                              |

The model summary in table 2 shows that there is a positive association between independent variables (Management by objectives, 360-degree appraisal, rating scale method, check list method and behavioral anchored rating scale.) and dependent variable (employee performance) as indicated by the value of R (0.888). The results also show that there is correlation between the dependent and the independent variables as shown by the values of R<sup>2</sup> (0.788). The R<sup>2</sup> value (78.80%) indicates how much of the dependent variable, employee performance, explained by the independent variables, Management by objectives, 360-degree appraisal, rating scale method, check list method and behavioral anchored rating scale. In this case, the variation that has been explained is 78.80%. The part remaining of 21.20% can therefore be explained by other factors not studied in this research.

### **Model Validity**

The ANOVA statistics was used to test the fitness of regression model is shown in table 3

**Table 3: Model Validity (ANOVA<sup>a</sup>)**

| Model |            | Sum of Squares | df | Mean Square | F      | Sig.              |
|-------|------------|----------------|----|-------------|--------|-------------------|
| 1     | Regression | 3.885          | 5  | .777        | 17.772 | .000 <sup>b</sup> |
|       | Residual   | 1.049          | 24 | .044        |        |                   |
|       | Total      | 4.935          | 29 |             |        |                   |

The ANOVA statistics was used to test the fitness of regression model. The significance F value of 17.772 (p = 0.000) was obtained. This therefore means that the regression model obtained was fit and statistically significant and can be deemed fit for prediction purposes.

**Regression coefficient**

**Table 4: Coefficients<sup>a</sup>**

| Model |              | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|-------|--------------|-----------------------------|------------|---------------------------|-------|------|
|       |              | B                           | Std. Error | Beta                      |       |      |
| 1     | (Constant)   | 1.250                       | .382       |                           | 3.269 | .003 |
|       | MBO          | .228                        | .096       | .256                      | 2.375 | .026 |
|       | 360-Degree   | .104                        | .033       | .350                      | 3.181 | .004 |
|       | Rating scale | .206                        | .034       | .659                      | 6.074 | .000 |
|       | Checklist    | .144                        | .043       | .332                      | 3.378 | .002 |
|       | Behavioral   | .090                        | .037       | .259                      | 2.454 | .022 |

Multiple regression analysis was conducted so as to determine the association between employee performance and the independent variables (Management by objectives, 360-degree appraisal, rating scale method, check list method and behavioral anchored rating scale). As per the SPSS generated table above, the equation

( $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \epsilon$ ) becomes:

$$Y = 1.250 + 0.228X_1 + 0.104X_2 + 0.206X_3 + 0.144X_4 + 0.090X_5$$

From the above regression model, MBO has a Beta =0.228, 360-degree appraisal has Beta=0.104, rating scale method has a Beta =0.206, checklist method has a Beta=0.144 while behavioral anchored rating scale, Beta=0.090. This result shows that when factors (Management by objectives, 360-degree appraisal, rating scale method, check list method and behavioral anchored rating scale) are held constant the level of achievement of employee performance would be at 1.250. It also shows that a level increase in MBO would increase employee performance by a value of 22.8 % suggesting that there is a relationship between management by objectives and employee’s performance among selected clearing and forwarding firms. This result agrees with the sentiment of (Newman, Thanacoody and Hui, 2012). MBO (management by objectives) methods of performance appraisal are results- oriented. That is, seek to measure employee performance by examining the extent to which predetermined work objectives have been met.

The result further shows that a level increase in 360-degree appraisal improves employee performance by a value of 10.4% implying that there is a relationship between 360-degree appraisal and employee’s performance among selected clearing and forwarding firms. This finding agrees with the opinion of (Fourie 2008). He suggests that a well-managed and integrated 360-degree feedback process provides good quality feedback from colleagues and supervisors, which can be a definite improvement over feedback from a single individual

Further, the result shows that a unit increase of rating scale method would improve employee performance by 20.6% indicating that there is a relationship between rating scale method rating scale method and employee’s performance among selected clearing and forwarding firms. This result agrees with the sentiments of (Afriyie, 2009). The rating scale method provides a well-structured performance appraisal. Each employee characteristic is rated against a scale with points that range from “poor” to “excellent” performance. The ratings are based on the ability of the employee to work as a team player, communication skills and technical competence (Khan, 2013).

The result also shows that a unit increase of check list method improves employee performance by 14.4% implying that there is a relationship between check list method and employee’s performance among selected clearing and forwarding firms. This result agrees with the suggestion of (Caruth and Humphreys, 2013). The advantage of the check list methods is its economic nature, ease of administration, there is limited training which is required and is standardized.

Finally, the result shows that a unit increase of behavioral anchored rating scale improves employee performance by 9.0% meaning that there is a relationship between check list method and employee's performance among selected clearing and forwarding firms

The study further shows that, there is a significant relationship between employee performance relation and the independent variables (Management by objectives, 360-degree appraisal, rating scale method, check list method and behavioral anchored rating scale) studied as shown: Management by objectives  $p=0.026$ , 360-degree appraisal  $p=0.004$ , rating scale method  $p= 0.000$ , check list method  $p=0.002$  and behavioral anchored rating scale  $p=0.022$ .

#### IV. Conclusion

The study found out that all performance appraisal practices (management by objectives, 360-degree appraisal, rating scale method, check list method and behavioral anchored rating scale) have relationship with employee's performance among selected clearing and forwarding firms.

#### V. Recommendations

This study therefore recommends that the management formulate appraisal committee that can ensure the performance appraisal practices which are; Management by objectives, 360-degree appraisal, rating scale method, check list method and behavioral anchored rating scale be reviewed time to time.

It also recommends that management should be on the lookout of ways of how to improve the performance appraisal practices in their companies to minimize any challenges faced.

The appraisal committee should be educated and well conversant with the appraisal technique practices which are in use in their firms.

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