



Assessing the usefulness of employee appraisal as a tool for employee performance improvement in the shipping sector: The Ghanaian context

Michael Kwasi Dzikunu¹, Emmanuel Sena Gohoho², Ebenezer Teigaga³, Timothy Kwami Ayekple⁴

^{1,2} Department of Transport, Regional Maritime University, Accra, Ghana

³ Department of Electrical/Electronic, Regional Maritime University, Accra, Ghana

⁴ Department of Nautical Studies, Regional Maritime University, Accra, Ghana

Abstract

Organizations' success is attributable to how and what their performance systems are aimed at. The study seeks to find out whether employee appraisal as carried out by companies is worth the time and cost in an African setting where family ties and affiliations play a very important role in social relations, as well as, who gets employed in the face of seemingly high unemployment rates or is it just a formality (Company policy) that needed to be fulfilled just because corporate society has come to embrace employee appraisal. Thus, specifically to find out if there exist any correlation between employee appraisal and productivity in the Maritime Industry in Ghana. The study covers the shore operations subsector of the shipping. Random sampling and purposive sampling techniques is employed in selecting the shipping agencies with high market share and the allied institutions respectively. The research tools are questionnaires and interviews for data collection and inferential statistics adopted for data analysis and interpretations. The study reveals that the practice of an employee performance appraisal in the Ghanaian has an unguaranteed correlation with organization's performance. Further that appraisal is rather seen as a vindictive tool by managers as results of appraisals are not in most cases communicated to employees. Employees on the other hand see it as a formality. We, the researchers, recommend implementation of "performance appraisal feedback discussion" with the employees in order to inform organizational strategy towards achievement of organizational goals.

Keywords: employee appraisal, performance improvement, personnel management, Ghana shipping sector

1. Introduction

1.1 Performance appraisal

Performance appraisal has become one of human resource management's important tasks. Human resource management as defined by Khanka (2012) ^[9] is a process of procuring, developing, maintaining and controlling competent human resources in an organization so that the organizational goals are achieved in an effective and efficient manner. Kaila (2011) ^[7] is of the view that human resource management is part of the process that helps the organization achieve its objectives. Human resource management should be part of the process that determines which people are required, how to use them, how to get them and how to manage them. It should be integrated with all other management processes as well as the performance appraisal.

Tool (2012) ^[19], performance appraisal is a formal system of review and evaluation of individual or team's task performance. It is a formal system, because in reality, managers should be reviewing an individual's performance on a continuing basis. Many organizations carried out an appraisal system to improve individual and organizational performance. Nassazi (2013) ^[13] on the other hand see performance appraisal as a process that is carried out to assist both the individual as well as the organization to analyze and evaluate the performance of employees over a period of time. There have been numerous debates regarding the relevance of performance appraisal. Khan (2015) ^[8], indicated that, the success of an organization in achieving its objectives depends heavily on the performance of its

employees. Tool (2012) ^[19] on the other hand, indicated that undertaking performance appraisal causes much dissatisfaction as much is expected from one appraisal plan. Even though the appraisal plan may be effective for developing employees but may not be the best for determining pay increases. A properly designed system can help achieve organizational objectives and enhance employee performance. A well-designed appraisal system provides a profile of the organization's human resource strengths and weaknesses to support this effort. The problems associated with performance appraisals include appraiser discomfort, lack of objectivity, halo/horn error, leniency/strictness, central tendency error, recent behavior bias, personal bias (stereotyping), manipulating the evaluation, and employee anxiety. Heathfield (2018) ^[6] added that the reason for evaluating performance is to provide developmental feedback that will help the employee continue to grow in their skills and ability to contribute to the organization. Yet, performance appraisals rarely focus on developing skills and competencies of the employees.

1.1.1 Tools used in evaluating performance appraisal

Performance measuring tools keep evolving, hence different tools have been used by different managers in evaluating performances since the early times of the industrial revolution through to these present times. All the methods of appraisal devised so far have been classified differently by different authors. Aswathappa (2007) ^[2] classified appraisal methods into two categories as past-oriented and future-oriented. According to Roychoudhuri (2005) ^[14], the

criteria for performance appraisal methods are based on various aspects like productivity, quality of work, duration of service and training. The above-mentioned criteria have embodied the other categorizations postulated by other authors, see table 1.

Table 1: Methods of performance appraisal

| Traditional methods | Modern methods |
|----------------------------|-----------------------------------|
| Ranking method | Management by objective (MBO) |
| Paired comparison | Behavioral anchored rating scales |
| Grading | Assessment centers |
| Forced distribution method | 360- degree appraisal |
| Forced choice method | Cost accounting method |
| Checklist method | Human asset accounting |
| Critical incidence method | |
| Graphic scale method | |
| Essay method | |
| Field review method | |
| Confidential method | |

1.1.2 Impacts of employee performance appraisal

Widespread attention has been given in recent years to the function of the formal appraisal process because of the idea that a well designed and implemented appraisal system can create many benefits for organizations. Akrani (2011) ^[1] found that the appraisal process can help an organisation in performance feedback, employee training and development, validation of selection process, promotions, transfers, layoff decisions, compensation decisions, human resource planning and career development. Performance evaluations have become standard. Employees may not always be aware of the multitude of purposes and intents their employer may have when performing evaluations (Universal Class, 2015) ^[21]. On the other hand, performance appraisal systems become useless if they do not elicit positive reactions among raters and ratees. Tziner and Kopelman (2002) ^[20], Schermerhorn, Hunt and Osborn (2010) ^[15] put forward that appraisal systems are time consuming especially for managers with many employees - stressful, based on human assessment and subject to rater errors and biases. Essentially, for every positive aspect of performance appraisals there can be a negative aspect as well (Universal Class, 2015) ^[21]. Managers commit mistakes while evaluating employees and their performance. Biases and judgment errors of various kinds may spoil the performance appraisal process. Here bias refers to inaccurate distortion of a measurement. Gupta and Upadhyay (2012) ^[5] have shown that the major and prevalent problem confronting personnel appraisal is always the mistake that the rater often commits. The Management Study Guide Experts (2015) ^[11] give first impression (primacy effect), halo effect, horn effect and excessive stiffness or lenience as performance appraisal biases.

1.2 Research objective

It turns out that researchers of employee appraisal are from different cultural backgrounds with different cultural aspects in respect to behaviour and conduct which are both critical determinants of how employee performance appraisals are viewed. They are also critical in perception and conduct of employee performance appraisals. The analysis of this situation indicated a gap in the holistic acceptance and generalization of these research findings, hence the aim of this research, to contextualize this postulate in a Ghanaian

setting and find out whether employee appraisal is a wasteful formality or a useful tool for employee performance improvement.

The specific objectives of this research are:

- To identify the benefits and/or drawbacks or challenges of employee performance appraisal in the shipping and marine insurance industry in Ghana
- To find out the perceptions of both employee and employer on employee appraisal
- To find out the relationships between employee appraisal and productivity

2. Literature Review

The purpose of performance appraisal differs from organization to organization. Notwithstanding the differences, all purposes proposed by the writers are geared towards two main purposes; improving the individual and the organization. Normally, times of appraisals are the right times to set new goals and objectives for employees. Historically, most organizations perform employee evaluations on an annual basis as well as within the first three (3) to six (6) months of a new employee's tenure with the company; a period within which the new employee is usually considered to be on probation. Some companies are moving toward shorter cycle appraisals to identify areas of concern or potential problems with the employee or their job performance, Universal Class (2015) ^[21]. Nonetheless, others do not even appraise their employees. Such companies have their own parameters or ways of achieving their companies' objectives through employees without appraising them.

According to Akrani, (2011) ^[1] performance appraisal can be used as a basis for reward allocation by increasing their pay or other incentives. Decisions as to who get salary increase, promotion and other rewards are determined by their performance evaluation. Better performances are rewarded with merit pay. Moreover, appraisals can be used for identifying areas where development efforts are needed. Lussier, *et al*, (2017) ^[10] states that a performance appraisal system can achieve the following purposes: as in planning human resources where data must be available in describing the potential and promotability of all employees. Also, in recruitment and selection where performance appraisal may be useful in predicting the job performance of applicants. Where recruitment is done internally within an organization, the job performances evaluated on the employee determines who can carry out the task.

Elan (2014) ^[3] states that it is during an employee's review by his manager that his work performance is evaluated and strengths and weaknesses are identified so that the employee knows his improvement areas. Moran (2013) ^[12] opinions that a successful appraisal is one that has commitment from both parties and is held in an environment where ideas and views can be expressed openly. He suggested that an employee appraisal review ought to be an opportunity for dialogue between manager and team member and it should allow the employee to express his/her perspective on the role, the organization, the managers, personal view of performance, ideas to improve operations and processes and aspirations to grow in the job.

In every business organization, the performance of the employee is important in achieving organizational goals. Performance appraisal system allows the management categorizes employees into performers and non-performers.

The success of an organization can therefore be attributed to how and what its performance systems are aimed at. A fairly conducted appraisal that flows from a sense of mutual support and productivity improves relationships between management and employees. As a result, the entire team or department enjoys a smoother work environment and greater productivity (Thompson, 2018) [18]. Appraisal systems aim at improving the performance of employees. This increase in performance leads to higher productivity (Ibid). Stone, Romero and Lukaszewski (2006) [17], opinion that when employees realize that if they put in their best to the organization in carrying out their tasks and duties well, they could be promoted, have an increase in wages, better opportunities are opened to them. The authors indicate that in situations where employees' performance is woeful they attract penalties that cannot be avoided. This consciousness would push them to strife towards putting in their best to avoid negative rewards and being more creative.

3. Methodology

This research employs both quantitative and qualitative research methods. Adopting both methods can help improve an evaluation so that the limitations of one method are balanced by the strengths of another.

3.1 Sample Size

The sample of this research covers employees in the shore operations subsector of the maritime industry in Ghana. A sample of five (5) shipping companies and shipping agencies were chosen based on the market shares of these companies. One (1) out of the five (5) companies does not practice a formal appraisal system. This company was selected to ensure equity in judging the dichotomy of the research topic. Fifty nine (59) respondents including thirteen (13) management personnel and forty six (46) non-management employees were extracted from the sampled companies.

3.2 Sampling techniques

In this research we adopt a multistage sampling approach. Ten (10) management personnel representing employers were sampled in no order from the five (5) companies. Forty six (46) employees, i.e. not in management positions, were randomly selected across four (4) out of the five (5) companies to whom questionnaires were administered. The remaining three (3) respondents in management positions were subject for separate interview sections. This includes one (1) management member (operations manager) from the company without formal employee appraisal system to find out how the company functions without this tool and two (2) management members, each selected randomly from one of the four companies who have formal employee appraisal systems in place.

4. Analysis

The data collected from the study are analysed. In the following, the response from the sample engaged in non-management and management positions were analyzed.

4.1 Reasons employers undertake performance appraisal

From table 2 it is deduced that the main reason employers undertake performance appraisal is the means of checking performance representing 73.2%. This is followed by other varied reasons with a percentage of 17.9. Reasons such as

means of salary increase, means of promotion and means of victimization accounting for 5.4%, 1.8% and 1.8% respectively.

Table 2: Reasons for appraisal by an employer

| Reasons | Frequency | Percentage (%) |
|-------------------------------|-----------|----------------|
| Means of promotion | 1 | 1.8 |
| Means of salary increase | 3 | 5.4 |
| Means of checking performance | 41 | 73.2 |
| Means of victimization | 1 | 1.8 |
| Other | 10 | 17.9 |
| Total | 56 | 100 |

4.2 Feedback of appraisals to employees

From this study 84.8% of the respondents indicates that they receive feedback of their appraisals from management by which they identify and correct their shortcomings towards possible improvement. Feedback enables them to know what is required of them as well as help to identify their strengths and weaknesses. These employees affirm that the appraisals motivate them to work hard and focus on their jobs as compensations, major decisions and how to discover their weaknesses and strengths are based on performance appraisals.

However, some employees constituting 13% states that feedbacks of appraisals are not disclosed to them hence they do not realise the essence of the activity and that with or without appraisal, they rate their performance normal. 2.2% did not respond to this question.

4.3 Impact of appraisal on employees

54% of the respondents are of the view that appraisal yields positive change and that they do not remain the same after appraisal because appraisal points out areas for improvement and when addressed it results in an increase in productivity. Performance appraisals, they say, challenge them to work hard when others are doing better than they are. In addition, appraisal redirects their focus and put them on their toes. Appraisals also keeps them up to date with the objectives of the company as well as puts them on the path to give off their best in other to enjoy the rewards the company attaches to high performance. However, a considerable 43.8% of the respondents reveal that their output is not impacted in any way whether appraised or not because of reasons such as, lack of feedback of appraisals to the appraisee to know his/her status so as to improve upon his/her performance. Decisions are always from management perspective, which might not necessarily be motivating to employees. To this group, appraisals discourage rather than motivate when it turns to be bias. 2.2% of the sample were indifferent.

Table 3: Impact of appraisal on employees.

| Response | Frequency | Percentage (%) |
|-----------------|-----------|----------------|
| Positive impact | 30 | 54 |
| No impact | 25 | 43.8 |
| Indifferent | 1 | 2.2 |
| Total | 56 | 100 |

4.4 Appraisal biases

The research reveals a certain level of feeling of bias of appraisers towards appraisee or towards employees in the company. 39.1% of the respondents said they felt appraisers were bias towards employees. 56.5% of the respondents said

appraisers are not bias towards the employees and 4.4% of the respondents did not respond to it, see table 4.

Table 4: Appraiser/appraisee biases

| Response | Frequency | Percentage |
|-------------|-----------|------------|
| Yes | 22 | 39.1 |
| No | 32 | 56.5 |
| Indifferent | 2 | 4.4 |
| Total | 56 | 100 |

4.5 Appraisal achieving results

Table 5 shows that 52.2% of the respondents said appraisal has served the purpose for which it was implemented. Also 39.1% said the purpose of the appraisal has not been met. 8.7% did not comment on purpose of the implementation.

Table 5: Appraisal achieving its purpose

| Response | Frequency | Percentage |
|---------------------|-----------|------------|
| Serving purpose | 29 | 52.2 |
| Not serving purpose | 22 | 39.1 |
| No comment | 5 | 8.7 |
| Total | 56 | 100 |

4.6 Perceptions about appraisal

From the analysis the employees have different views on different reasons as to whether or not appraised employees perform better than those not appraised. 72% of the respondents said appraised employees are better than those not appraised. With the following reasons: employees put in their best efforts, if they are aware that there is an effective appraisal system in place. Knowledge of performance status leads to improved working standards. It motivates employee skills development resulting in increased yield. Appraised employees gain the advantage of knowing whether they are keeping up with their job targets, get the appropriate training and that positive recommendations can be used in applying for advertised positions within or without the organization. Notwithstanding, 25% were of the view that appraised employees do not perform better than those not appraised. Their reasons being: everyone perform their tasks naturally whether appraised or not. It is unfair appraising all employees by the same criteria as human being have different capacities. Appraisals are full of unfairness and vindictiveness hence does not reflect true measure of performance levels. The remaining 3% did not respond.

Table 6: Perception about appraisal

| Response | Frequency | Percentage |
|--|-----------|------------|
| Appraised employee Perform better | 40 | 72 |
| Appraised employee do not perform better | 14 | 25 |
| No response | 2 | 3 |
| Total | 56 | 100 |

4.7 Effect of appraisal on productivity

70% of the management respondents indicate that appraisal of employees resulted in an increase in productivity supported by records of output over periods prior to appraisals and after appraisal on year on year basis. 10% said it did not have any effect on productivity as employees ensure they perform according to their key performance indicators which served as the standard for the appraisal. Another 10% indicated a reduction on productivity with the reason that employees are not given feedbacks on how they fared in the appraisal and hence saw it as a formality, see

table 7.

Table 7: Appraisal effect on productivity

| Response | Frequency | Percentage |
|---------------------------|-----------|------------|
| Increase productivity | 8 | 80 |
| No effect on productivity | 1 | 10 |
| Reduced productivity | 1 | 10 |
| TOTAL | 10 | 100 |

4.8 Achievement of appraisal

Apart from 4.4% of the respondents who said appraisal has not achieved its purpose, 95.6% of the respondents agreed that appraisals have served their purpose of being implemented. This majority said the process recognizes top performing employees for various reward packages by way of motivation. Again, it helps identify as well as address the lapses of less performing employees. The 4.4% said appraisal has not served its purpose because some employees are favoured, thus their true performance levels are not measured and that there are a lot of bias recommendations against some employees.

4.9 Challenges faced in administering appraisal systems

The main challenge identified in the process is timing. Most of them said either the timing is not consistent and the time allocated is too short for the process when management decides to roll it out. The commitment of parties involve is poor and so also the structure of the questions or appropriate criteria.

4.10 Summary from the interviews

The researchers had three (3) interview sessions with management staff from three (3) of the five shipping company agencies selected for this research. The purpose was to quiz them to solicit information leading to the answering of the research questions and to clarify varying responses received from employees in the questionnaires. In summary, the managers opined that employee performance appraisal has not really achieved its purpose in totality because of some factors like employees’ negative perception about it, employees background regarding previous experiences of vindictive appraisal and Managers’ relationship with some employees; some managers are seen to use the exercise as an opportunity to settle scores with some employees or use it to the advantage of their favorite employees. However, to the extend it achieved its purpose, it really improves performance levels hence productivity because the results of appraisals serve as a basis for reward or otherwise by management to employees which serves as a motivational factor to employees. They rated averagely the relevance of employee performance appraisal in the Ghanaian shipping sector at 70%.

It was unanimously acknowledged that, the tendency exists for abuse of the exercise by managers hence not reflecting true results. In view of this, 66.6% claim they ensure that employees have the opportunity to make complaints anytime they are not satisfied with their appraisal results. When such reports are received, investigations are conducted and appropriate actions taken to rectify the anomaly where it is found that a manager has been bias. 33.3% admitted that the results of appraisals are strictly kept for management use, it is not disclosed to employees hence it is impossible for an employees to express dissatisfaction about it.

4.11 Summary from the company without formal appraisal system

One of the sampled shipping companies disclosed that the mother company in its global nature operates without a formal appraisal system. The operations manager states that “they do not have a human resource department. They operate with an objective management style where necessary and relevant decisions are imposed. No formal appraisal is done here; we identify potential supervisors by individual’s work, monitor you and when found satisfactory, you are trained and given appropriate managerial role”. He said the absence of formal appraisals may cause employees to complain for not being recognized or even feel unrecognized but the company does what she deems good to achieve her goals. To this company, because appraisal is normally tied to compensation packages, employees may not be operating within their real scope and capacity but stretch beyond limits to meet set appraisal standards in order to benefit from those packages. In this case, whenever rewards cease productivity declines. “We do not expose rewards to allow people do what they wouldn’t have done.” he said. They also believe that, appraisals can never be done without flaws. Human feelings such as passion for some employees, and that, managers may not want to rate employees high for fear of their positions been taken are among the many flaws. Regarding who observes to identify a potential and how is the observation done, researchers demanded. He said, there are no specifications or qualifications for who observes, every manager in his/her course of operation might have noticed a hardworking employee in the team, then, he communicates that to other managers, who will also follow such employee’s work closely, give him/her more challenging tasks and at times make him/her the leader of his/her working group. If he/she proves efficient by achieving his/her targets naturally thus, without any knowledge of being monitored or any expectation of a reward, then such a person is promoted. Employees are monitored for quite a long time before placing them in strategic positions. The operations manager however admitted that, this way they at times do lose some key employees to other companies for not acting quickly which is a bit tough but then, they consider it a game, one cannot always win.

5. Conclusion

From the analysis we deduce that the general perception of the organizations in the Ghanaian context is as follows. Performance appraisal is a double-edged sword when practiced within the proposed tenets of organizational development and improvement devoid of favoritism, score settling and bias, it is a tool for performance improvement and impetus for achieving organizational goals. However, when not practiced with dedication and objectivity it rather breeds divisiveness and retards organizational productivity. We also found that the organizations that does not practice performance appraisal still perform well and hold an enviable market share. The results indicated that some managers use appraisal with vindictive tendencies. The findings indicated some correlation between performance appraisal and productivity (output). The study did not measure to quantify the degree of correlation between appraisal and total output of the organisations. Additionally, we realized that educational backgrounds of the respondents had a reflection on their understanding of the concept of

performance appraisal.

6. Recommendations

We recommend the following:

- Human resource departments should provide timely feedback of employee performance appraisal to the appraisees because lack of performance appraisal feedback can breed negative attitude in employees towards the appraisal system and would be tantamount to no appraisal.
- Since outcomes of appraisals have managerial implications for training and development, motivation and provision of resources for improvement of employees, the process of performance appraisal should be conducted fairly and objectively without passion, favoritism or vindictiveness.
- Employees should be appraised by successive appraisers to remove all forms of victimization and human feelings that might result from a single appraiser over a long period.

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