# PERFORMANCE APPRAISALS PRACTICES AND EMPLOYEE PRODUCTIVITY IN KENYA: A CASE STUDY OF SAVANNAH CEMENT LTD

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# ABSTRACT

Many organizations are struggling with the fact that many their employees' of productivity is wanting and therefore these organizations are looking for measures that can aid in improving their employees productivity. The main objective of this study was to investigate the effects of performance appraisal practices on employee productivity at Savannah Cement Ltd. The specific objectives of the study were: To assess the effects of peer review on employee productivity at Savannah Cement Ltd and to establish the effects of 360 degrees appraisal method on employee productivity at Savannah Cement Ltd. The study adopted a descriptive research design. The population of interest for this study was three hundred and thirty two (332) employees of Savannah Cement Company limited. The population was stratified as per the departments and a representative sample of 98 respondents was selected through simple random sampling technique. The study primary data was a collected questionnaire. The data was compiled, sorted, edited, coded and analyzed to address the research objectives. Descriptive was analysis computed where mean, frequencies and percentages were obtained and Regression analysis was used to test for the relationship between the independent variable and the dependent variable. The findings from the analysis showed the effect that the performance appraisal practices had

## **INTRODUCTION**

on employee productivity. These study results were presented in tables and figures using percentages and frequencies to facilitate comparisons and further analysis. The study found that the performance appraisal process was fair and targets had been set for all the staff to ensure the process achieved its objective in evaluating individual employee's performance, 360- Degree performance appraisal is used in Savannah Cement Ltd to enhance individual employee's work performance thus bringing about improvement in quality and accuracy of work, job knowledge, ability to work as team members and quantity in output. The study concluded that the management at Savannah Cement Company had adopted performance appraisal practices that aided in providing opportunities to identifying staff training needs, help employee's meet performance targets and 360 degree appraisal method was widely adopted in Savannah Cement Ltd. The study recommends that the company should endeavor to use subordinates more often as a source of evaluation so that managers can be able to get feedback from their juniors regarding their performance and adopt performance appraisal process that does not only emphasize on academic qualifications but rather ability to achieving targets.

Key Words: product diversity, market competition, revenue generation, ministry of transport and infrastructure, Kenya, mechanical and transport division

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 programmes in organizations (Whiting, Podsakoff & Pierce, 2008).

Iqbal, Akbar and Budhwar (2015), opined that performance appraisal entails rating the merit of employees whose aim is to discriminate the decision making abilities of employees regarding titles in an organizations, promotions and remunerations. In order for performance appraisal to be successful in organizations, employees within an organization should clearly be knowledgeable on the objectives and the process of the management. The techniques and tools for performance appraisal should also be developed in line with the organization. In essence, every organization has put in place either informal or formal methods of performance appraisal to enhance employee performance (Iqbal et al., 2015).

The productivity is normally a measure of the quantity of output in terms of tones, weight and volume of work; on the other hand it can be measured in terms of quality like excellence and performance of work done after using up organizational resources (Certo, 2015). Productivity can also be measured in a wholesome manner; organizational productivity as a group effort or individually; employee productivity. Productivity of an employee is normally as a result of their effort, character, diligence and hard work. Organizations though can enhance and influence positive employee productivity through motivating them, creating a good working environment, high wages and salaries and rewarding good performance (Chadwick et al., 2015). Productivity can be defined as the output per unit time. There are several measures of output for example the services, money or units of production. However, in most cases, performance of the employees is determined by the level of motivation, the environment and the abilities (Elliott, 2015).

## Savannah Cement Limited

The sixth and latest entrant into the market, SCL is the biggest stand-alone cement grinding plant in Kenya in terms of grinding capacity, with an annual production capacity of 1.5 million metric tons. The plant is strategically placed in Athi River, some 35 kilometers from Nairobi, which accounts for 30 percent of Kenya's cement consumption. Athi River town and its near environs (Kitengela and the greater Kajiado) are raw material rich areas with vast deposits of limestone, pozzolana and gypsum which are the primary materials used in the production of cement.

Savannah Cement Ltd has put in place a performance appraisal system PAS that enhances performance of employees. This PAS helps in aligning the strategic goals of the company to those of the employees. The performance appraisal system at Savannah Cement Ltd helps to identify the capabilities of the employees together with their levels of aptitudes that are in line with the job expectations that include attitudes, skills and knowledge which enhance

performance of employees. This also raises the motivational levels of the employees within the company.

## **STATEMENT OF THE PROBLEM**

Many organizations are struggling with the fact that their employees' productivity isn't at its best, thus these organizations are looking for measures that can aid in improving their employees productivity. One of the key practices adopted by organizations is performance appraisal. Savannah cement has had a streak of bad performance over the last couple of years, such that in 2015, majority of its shares were bought by Seruji limited, which necessitated a complete overhaul of its operations. According to data released by Competition Authority of Kenya (2016), there was reduction in productivity of cement from 5.7 million tons in 2015 to 5.05 million in 2016; an indication of poor performance. With new management who have effected new changes in appraisals; it is then important to understand how the developed performance appraisal practices impact on employee productivity at the firm, hence the need for the study. Several studies have been done on the effect of performance appraisal practices on employee productivity; Sigei (2013) investigated the extent of adoption of 360-degree performance appraisal by commercial banks in Kenya. This study covered only one aspect of performance appraisal practice and it was done in the banking industry, creating a gap where other appraisal practices needs to be covered. These studies by Sigei (2013), Sambai (2012) and Mwangi (2012) covered other aspects of performance appraisal practices thus creating a knowledge gap, which this study sought to fill by answering the question: what are the effects of performance appraisal practices on employee productivity at Savannah Cement Ltd?

## **OBJECTIVES OF THE STUDY**

- 1. To assess the effects of peer review on employee productivity at Savannah Cement Ltd.
- 2. To establish the effects of 360 degrees appraisal method on employee productivity at Savannah Cement Ltd.

## THEORETICAL LITERATURE REVIEW

This study was anchored on the goal setting theory by Edwin Locke in the 1960s and the expectancy theory. These are discussed in detail below:

## **Goal Setting Theory**

The theory was formulated by Edwin Locke in 1960s. The theory indicates that the major sources of motivation at the work place are the intentions to work towards the goals. Goals play significant roles by informing employees their expectations at the work place. As a specific goal enhances performance within an organization, therefore goal setting theory supports the value of goals (Robbins, Judge& Campbell 2010). Acceptance of difficult and challenging goals results

into enhanced performance in an organization as opposed to easy goals. Moreover, availability of feedback at the work place brings about better performance than non-availability of feedback.

According to Pride, Hughes and Kapoor (2010), goals should be very specific, moderately difficult and employees should be committed to achieve these goals. Rewards should be tied in together with the goals so as to enhance performance at the work place. Goals that is specific in nature yield high levels of outputs as opposed to goals that are general in nature. This is because specific goals act as internal stimulus of the processes within organizations. Holding other factors for example acceptance of goals constant, it can be stated that the more difficult the goals, the greater the level of performance at the work place.

Companies that want to further their mission, do so by setting realistic goals. Goal setting facilitates formalization of organizational statements, implementation of missions and vision statements. Therefore, goals are significant motivators at the work place by providing employees with realistic and tangible targets that can be achieved easily (Kopaneva & Sias, 2015).

#### **Expectancy Theory**

This theory was formulated by (Vroom, 1964). The theory indicates that staff at the work place will greatly be motivated to inject more efforts in their productivity when their belief that their efforts will result into high performance (expectancy). An enhanced performance within an organization leads to rewards (instrumentality) and employees greatly value rewards so much (valence). This cycle will result into enhanced performance and when accompanied with organizational rewards for example better pay and promotions, organizational performance is enhanced (Vroom, 1964).

According to (Vroom, 1964), there is a link between the actions of the employees and the results from the actions of the individuals at the work place and this brings about valence. The term valence refers to the efficient and effective orientation towards certain outcomes. Instrumentality indicates a connection and link between outcomes of performed actions and outcomes stemming from performance of the actions. On the other hand, expectancy refers to quantitative belief as to the likelihood that a particular action will be followed by certain outcomes.

This theory is of the view that the degree at which the supervisor perceives that the efforts employees put in place in the performance appraisal process is related to the motivation driving supervisor to accurately complete the performance appraisal processes. This is likely to result into accurate information rating within an organization. The theory assumes that employees at the work place desire some outcomes over other outcomes and that staff are in position to make choices among their actions.

#### **EMPIRICAL LITERATURE REVIEW**

#### **Peer Review and Employee Productivity**

Employee productivity is deemed to be improved after monitoring, assessment and review is done by either those in the top management and or supervisors. But it has been noted that peer review does a better job of improving the performance of an employee, due to the fact that peers at the work place can push you to do much better without the need of the power from top managers.

Peer review is a process that is used by management team in different organizations to check on the performance of individuals in an organization (Ahmed & Palermo, 2010). It involves the actions of checking the work performed by one's equals (peers) in an organizational setting to ensure it meets specific criteria/standards. The standards are set by the management or are clearly stated in the organizational policy manual. Ayers (2015) in the study on peer review: benefits, perceptions and alternatives established that during peer review, peers easily identify each other's mistakes and this speeds up the time taken to correct a mistake.

Ahmed and Palermo (2010) established that peer review play significant role in development of soft-wares through development of codes where teams of coders will convene meetings and peruse through code systematically from one line to the other to identify the errors. In general terms, peers help in verification of whether the work is satisfactory to the specified review. It also helps in identification of deviations from the set standards and provides suggestions for improvements.

McGowan, Sampson and Lefebvre (2010) were of the view that peer review entails one employee evaluating the evaluation of tasks done by another employee of the same competence. Peer review is a form of self-regulation. Peer review enhances quality and standards within an organization. This also enhances performance of an organization. Peer review in academia is common in decisions related to faculty advancement and tenure (McGowan, et al, 2010).

Mhurchu, Aston and Jebb (2010) investigated the effects of worksite health promotion interventions on employee diets focusing on a systematic review of participatory decision making noting that it remains a central theme in business, policy and practice research. The focus of management has been to establish the positive or otherwise negative effects of management practices on performance. Participation in management (PM) has been used interchangeably to mean shared leadership, employee empowerment, employee involvement, participatory decision-making, dispersed leadership, open-book management, or industrial democracy". These coinages have come about as a result of the long quest to enhance employee contribution to management decisions so as to achieve organizational objectives and productivity. However this has become a major challenge of management in recent times.

Lee, Sugimoto, Zhang and Cronin (2013) conducted a study on bias in peer review. They found out that a common misconception by management is that participation in decision involves simply asking employees to participate or make suggestions. In order for good decisions to be made by employees during decision making process, effective programs must be undertaken to ensure efficient and effective decision. In order to achieve effective participatory decision making by employees, they insisted, managers needed to approach the method of employee's participation in decision making with an open mind.

Abramo and D'Angelo (2011) conducted a study on evaluating research based on an exploration from informed peer review to bibliometrics. They showed that training is a fundamental and effectual instrument in successful accomplishment of the firms' goals and objectives resulting in higher productivity. The study reveals that through training, development opportunities and information sharing, employees can acquire the conceptual skills needed to become effective managers and also increases the commitment of employees to the organization and the decisions they make.

## 360 Degrees Appraisal Method and Employee Productivity

According to Espinilla, De Andrés, Martínez and Martínez (2013), 360 degree appraisal is a process involving assessing the performance of an employee at the work place. In a 360-degree appraisal, the subordinates may give feedback and other information even on their immediate manager and other management. Moreover, senior management staff can also give information on staff that are junior within an organization, the peers or the suppliers and customers. In a study on strength-based performance appraisal and goal setting by Bouskila-Yam and Kluger (2011), it was established that management in the 360-degree appraisal collects feedback as opposed to judging and summarizing evaluations and performance of employees.

A study by Sigei (2013) to determine the extent which 360-degree performance appraisal has been adopted in the banking sector in Kenya. The findings of the study indicated that the banking sector in Kenya has put in self evaluations and adoption of feedback by immediate supervisor. However, the reliance on consultants and subordinates to act as sources of evaluations in the 360-degree feedback appraisal has not commonly been taken up.

Farrell (2013) conducted a study to investigate the effectiveness of performance appraisal among the consumer service companies in Ireland. The study established that employees were overly happy as they have to complete the performance appraisal. However, a lot has to be done to improve the systems to make them more rewarding and successful. Few elements of the current system exists that limit effective appraisal processes. Moreover, vital elements needed in an efficient performance appraisal process are still not in place.

## **CONCEPTUAL FRAMEWORK**



**Figure 1: Conceptual Framework** 

## **RESEARCH DESIGN AND METHODOLOGY**

The study adopted a descriptive research design. A descriptive study is one in which information is collected without changing the environment. The population of interest for this study comprised three hundred and thirty two (332) employees of Savannah Cement Limited according to the Human resources. The population was stratified into three levels: senior, middle and junior levels. A stratified random sampling technique was used to select respondents for this study from the employees working at Savannah Cement Company limited. Stratified random sampling procedure was used to arrive at the sample of the employees who took part in the study. The researcher classified the employees into strata based on their level of authority in the organization. 30% from each strata was selected to form part of the respondent list since the respondents are homogeneous. According to Mugenda and Mugenda (2008) 10-30% of the target population is adequate for generalization of findings to the entire population. Thus the sample size of the study was ninety eight (98) employees of Savannah Cement Company Limited. The study used structured questionnaires as the research instrument. The questionnaires were developed to have closed-ended questions covering the demographic information of the respondents and the four study variables. A pilot study was undertaken to gauge the efficacy of the questionnaires in carrying out the research. To attain this, the research instrument was administered to 5% of the target population that is 16 staffs working at Savannah Cement Ltd; the 16 employees will be drawn from all levels (senior, middle and junior levels). According to Mugenda and Mugenda (2008) a pilot study can comprise of between 5 members of the target population, thus 16 members were sufficient for the pilot tests.

The research instruments for the study were the questionnaires which were administered to all the respondents at their places of work. Since the respondents were anticipated to be busy the researcher employed 'a drop and pick later method'. The respondents were given three days to fill the questionnaires before the researcher came back to pick them for analysis. While dropping the questionnaires, the researcher obtained e-mail address and cell-phone numbers so as to do a follow up. Since any queries by the respondents were responded to either via e-mail or through telephone calls. Collected data was compiled, sorted, edited, coded and analyzed using Statistical Package for Social Sciences (SPSS) Version 22 computer program to address the research

objectives. Descriptive analysis was computed such that the study used mean, frequencies and percentages in the analysis. Results are presented in tables and figures using percentages and frequencies to facilitate comparisons and further analysis (Yin, 2013). Regression analysis was used to test for the relationship between the independent variable (Peer Review, 360 Degrees Appraisal Method) and the dependent variable (Employee Productivity).

The Regression model is:

 $Y=a_1+\beta_1X_1+\beta_2X_2+\epsilon$ 

Where: Y= Employee Productivity;  $a_1 = \text{Constant}$ ;  $\beta_1$ ,  $\beta_2$ , are Coefficients of the effects of performance appraisals practices on employee productivity at Savannah Cement Company Limited;  $\varepsilon = \text{error term}$ ;  $X_1 = \text{Peer Review}$ ;  $X_2 = 360$  Degrees Appraisal Method

#### **RESEARCH FINDINGS**

The respondents were asked to indicate their gender. From the responses, 32% of the respondents were females while 68% were males. This shows that all gender were included thus provide a good representation for the study. The respondents were asked to indicate their positions in the organization. From the findings, 8 (11%) of the respondents indicated that there were in senior level, 25 (34.2%) were middle level and 40 (54.8%) were junior level. The respondents were asked to indicate the period of time they had been working in the company. From the responses, 20 (27.4%) of the respondents had been working for a period between 0-5 years, 17 (23.3%) for between 5-10 years, 12 (16.4%) for between 10-15 years, 15 (20.5%) for between 10-15 years and 9 (12.3%) for above 20 years.

## **Peer Review**

The study sought to assess the effects of peer review and on employee productivity at Savannah Cement Ltd. The respondents were asked to indicate the extent to which they agree with each of the statements. Mean and standard deviation were used for ease of interpretation and generalization of findings. From the responses, the respondents were neutral on peer review checks on the performance of staffs at Savannah cement as shown by a mean of 3.16 with a standard deviation of 1.518. This shows that peers were not involved in checking the performance which contradicts with Ahmed and Palermo (2010) that peer review is a process that is used by management team in different organizations to check on the performance of individuals in an organization. On whether in Savannah Cement Ltd, standards of work are set by the management team, the respondents were in agreement as indicated by a mean of 3.80 and standard deviation of 0.966. This concurs with Ware (2008) that during peer review, peers easily identify each other's mistakes and these speeds up the time taken to correct a mistake Respondents agreed that peers at Savannah Cement Ltd take note of their work errors as shown by a mean of 3.80 and standard deviation of 0.966. This finding concurs with Rigby, et al (2008)

that peers helps in identification of deviations from the set standards and provides suggestions for improvements.

Respondents also agreed to a great extent that peers correct their work so as to meet the set standards as shown by a mean of 3.76 and standard deviation of 1.148. This implies that the employees evaluated themselves and this is consistent with McGowan, Sampson and Lefebvre (2010) that peer review entails one employee evaluating the quality of tasks done by another employee of the same competence. Respondents were in agreement to a great extent that peer review method was done to maintain the high quality standards of work which concurs with McGowan, et al (2010) that peer review enhances quality and standards within an organization. The researcher asked respondents to indicate the extent to which peer review and development as an appraisal tool affects employee productivity at Savannah Cement Limited.

#### **Effects of Peer Review on Employee Productivity**

From the finding, 5 (6.8%) of the respondents indicated no extent, 6 (8.2%) indicated little extent, 14 (19.2%) indicated moderate extent, 29 (39.7%) indicated great extent and 19 (26%) indicated very great extent. This shows that peer review and development affected greatly on employee productivity.

#### **360 Degrees Appraisal Method**

The study sought to establish the effects of 360 degrees appraisal method on employee productivity at Savannah Cement Ltd. The respondents were asked to indicate the extent to which they agree with the statements it applies in their company. From the responses mean and standard deviation were used for ease of interpretation and generalization of findings. The respondents agreed to a great extent that staffs at Savannah Cement Ltd anonymously rate their superiors on job tasks as shown by a mean of 4.09 with a standard deviation of 1.094. This shows that the use of immediate supervisors and peers as sources of evaluation for 360 degree performance appraisal was the most common in the company. The respondents indicated to a great extent that performance was appraised by their network contacts at their workplace as shown by a mean of 3.83 with a standard deviation of 1.142. This indicates that the company uses various sources of evaluation to carry out the 360 degree performance appraisal. This is contrary to Espinilla, De Andrés, Martínez and Martínez (2013), 360 degree appraisal is a process involving assessing the performance of an employee at the work place.

On whether managers collate feedback rather than judge performance, the respondents indicated great extent as shown by a mean of 3.82 with a standard deviation of 1.134. This means that they play a key role in providing the feedback required for assessment. This is in line with Bouskila-Yam and Kluger (2011) that management in the 360-degree appraisal collects feed back as opposed to judging and summarizing evaluations and performance of employees. The respondents indicated to a great extent that 360-degree performance appraisal used improves firms output as shown by a mean of 3.95 with a standard deviation of 1.059. This concurs with

Ouko (2008) that a 360-degree performance appraisal process that has been carried out well assesses the work of employees and has the capability to improve on work and the whole organizational output without compromising self esteem levels of the employees.

The respondents agreed to a great extent that they are highly motivated when using this appraisal tool as indicated by a mean of 3.97 with a standard deviation of 0.999. This is consistent to Farrell (2013) that employees were overally happy as they have to complete the performance appraisal. On whether they get feedback both from internal and external sources, majority of the respondents indicated great extent as shown by a mean of 4.00 with a standard deviation of 0.986. This finding agrees with that of Sigei (2013) that the banking sector in Kenya has put in self evaluations, adoption of immediate supervisor. The respondents were required to indicate the extent to which the 360 Degrees appraisal method affects employee productivity at Savannah Cement Limited. From the responses, 3 (4.1%) of the respondents indicated no extent, 4 (5.5%) indicated little extent, 13 (17.8%) indicated moderate extent, 32 (42.8%) indicated great extent and 21 (28.8%) indicated very great extent. This shows that 360 degrees appraisal had an impact to a great extent on employee productivity.

#### **Employee Productivity**

The respondents were asked to indicate the extent to which performance appraisal practices affect employee productivity at Savannah Cement Limited. The respondents agreed to a great extent that staff productivity has increased as shown by a mean of 4.05 with a standard deviation of 1.012. The respondents were in agreement to a great extent that the quality of output is high as indicated by a mean of 4.09 with a standard deviation of 1.016. According to Certo (2015), productivity is normally a measure of the quantity of output in terms of tones, weight and volume of work; on the other hand it can be measured in terms of quality like excellence and performance of work done after using up organizational resources.

As to whether they able to finish their assigned tasks according to the scheduled time, the respondents were in agreement having a mean of 3.95 with a standard deviation of 1.229. The finding is consistent with Kumari and Malhotra (2012) who established that performance is defined as the expectations to be realized by set of individuals over a given period of time. Performance can be measured in terms of efforts or results accomplished quality and tasks with specified conditions. The respondents also agreed that they had improved in proper usage of firm resources as shown by a mean of 3.73 with a standard deviation of 0.727.

#### **REGRESSION ANALYSIS**

The study conducted regression analysis to investigate the effects of performance appraisal practices on employee productivity at Savannah Cement Ltd. The study results are shown in the subsequent sections.

Model	R	R Square	<b>Adjusted R Square</b>	Std. Error of the Estimate
1	.857 <sup>a</sup>	.734	.719	1.56673

#### **Table 1: Model Summary**

From the findings in Table 1, R was 0.857 meaning that there was a positive relationship between all the four independent variables. R2 was 0.734 implying that 73.4% of the variation in the dependent variable was explained by the independent variables while only 26.7% of the variations were due to other factors. This implies that the regression model has very good explanatory and predictor grounds.

## Table 2: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	461.304	2	115.326	46.983	$.000^{b}$
Residual	166.915	70	2.455		
Total	628.219	72			

From the finding, the significance value is 0.000 which is less that 0.05 thus the model is statistically significant in predicting the independent variables influence on dependent variable. The F critical at 5% level of significance is 2.50. Since F calculated (value = 46.983) is greater than the F critical (2.50), this shows that the overall model was significant.

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	1.181	1.075		1.098	.276
Peer Review	.054	.069	.074	.772	.043
360 Degrees Appraisal Method	.338	.072	.525	4.684	.000

The established regression equation becomes;

# $Y = 1.181 + 0.054X_1 + 0.338X_2 + \varepsilon$

Where: Y= Employee Productivity;  $\varepsilon_{=}$  Error Term;  $\beta$ = Coefficient factor; X<sub>1=</sub> Peer Review, X<sub>2=</sub> 360 Degrees Appraisal Method,

From the findings of the regression analysis if all factors (peer review, 360 degrees appraisal method, management by objectives and competence assessment) were held constant, employee productivity would be at 1.181. A unit increase in peer review and development would lead to a

unit increase in employee productivity by 0.054. A unit increase in 360 degrees appraisal method would lead to a unit increase in employee productivity by 0.338. All factors were significant as p values were greater than 0.05.

## CONCLUSIONS

The study concluded that the peer review enabled the management in Savannah Cement Ltd to identify areas of strength and opportunity, provide an indication of areas of training needs as well as direction for leadership development, performance improvement and succession planning.

The study concludes that 360 degree appraisal method was widely adopted in Savannah Cement Ltd. The choice and number of the sources of evaluation used for the 360 degree performance appraisal differ across the institutions but self evaluation, immediate supervisors, peers, and customers are widely used at Savannah Cement Company.

#### RECOMMENDATIONS

The study recommends that the company should endeavor to use subordinates more often as a source of evaluation so that managers can be able to get feedback from their juniors regarding their performance. Subordinate assessments of supervisor's performance can provide valuable developmental guidance.

The study recommends that management in organization should adopt performance appraisal process that does not only emphasize on academic qualifications but rather ability to achieving targets set and address shortcomings such as lack of materials and equipment necessary to carry out duties allocated to employees effectively.

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