

The Impact of Performance Appraisal on productivity: Case of Hamaressa Edible Oil S.C

**A Research Project Proposal
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1. Introduction

1.1 Background of the study

Productivity in all organization is determined by how human resources interact and combine to use all other management System resources. Human resources are often said to be the most valuable assets of an organization; and the organization successes or failure are greatly influenced by the quality of these resources. The other resources cannot be utilized effectively and efficiently for the achievement of desired organization objectively without having motivated and qualified employees.

The human resources of an organization have a lot to contribute to the organization performance. It must be built with trained, encouraged prompted and satisfied. The human resources department is responsible to undertake these tasks. In order to do those functions, the performance of employees should be evaluated based on certain criteria from time to time to see whether the employee's effort yields up the expected result.

Performance appraisal is a systematic assessment or evaluation of performance of an employee's periodically; and it is the process of evaluating how well employees do their jobs compared with a set of standards. It also involves communicating to employees how he/she is performing the job.

The information obtained from the appraisal can be used as input for managerial decision making regarding salary, promotion, transfer, termination layoff, training and so on. Other terms for performance appraisal include performance review, personnel rating merit rating performance evaluation employee appraisal, or employee evaluation.

Employee performance evaluation is one of the most important of human resource systems because it provides feedback to individuals and groups. Job feedback is a strong predictor of work behaviours and has the potential to increase work productivity and satisfaction. Performance evaluation can be a very powerful communication and management, delimiting performance levels among the employee population to send distinctive messages. Managers can make meaningful business decisions relative to rewards allocation, retention of high performers, and consequences for poor performers.

Rater evaluation effectiveness is critically important to the performance evaluation process and performance feedback needs to be accurate. However, rater willingness to accurately evaluate performance and identify employees as high and low performers is different than rater ability to rate performance. Raters will be motivated to differentiate when it becomes an attractive option for them and when they understand the compelling reasons to do so. The values, norms, and assumptions that make up the organization's culture may play a role in both motivations. Organizational culture influences the manager-employee relationship, the overall performance evaluation process, and the rater's judgment.

In this regard, HEOSC has been using traditional methods which are relatively older methods of performance appraisals. This method is based on studying the personal qualities of the employees. It includes knowledge, initiative, loyalty, leadership and judgment, work load, creativity.

The timing of performance appraisal in HEOSC is twice a year, that is from July 1 up to December 30 and from January 1 up to June 30 according to Ethiopian calendar. The process of appraisal in this company is not a such clear but the process is like first the immediate boss fill the format according to the trait and then show to the employee if he agree he will accept and sign if not he express his idea, they discuss the issue. Finally if both side agreed they will sign otherwise the boss write on the format and sign.

Based on the above premises, this research had examined the impact of appraisal on workers' productivity in HEOSC located Harar, Ethiopia.

1.2 Statement of the problem

Performance appraisal is one of the basic functions of human resource management. It is a complex process that deals with human behavior. The best possible method must be utilized to uncover, examine resolve workers and organization problems; if appraisal used appropriately it can contribute to the productivity and efficiency of the workers as well as the organization. (Thomson: 1997: pp: 129).

However, at HEOSC performance appraisal has accompanied by several problem which hinder the organization to properly utilize the process. In most of the cases, the company uses non-data-based assessment. Performance appraisal processes rely 100% on the memory of those completing the assessment because pre-populating the forms with data to inform decisions would be too difficult (cynicism). In addition, most assessment criteria are “fuzzy” and subjective.

In addition, there is lack of effectiveness metrics which refers to many accept that the goals of the process are to recognize results, provide feedback to address weaknesses, determine training needs, and to identify poor performers. Unfortunately, none of the rater does ever measure their processes’ contribution to attaining any of these goals. Instead, the most common measure relating to performance appraisal is the percentage completed.

Furthermore, managers are not measured or held accountable for providing accurate feedback. While they may be chastised for completing them late, there is no penalty for doing a half-assed job or making mistakes on them, which is incredibly common. One firm attempting to remove a troublesome employee found that the manager had rated the individual the highest within the department and awarded as the employee of the year.

Finally, in this organization, getting a merit raise, bonus, or promotion is completely disconnected from an employee’s performance appraisal scores. When there is a weak link, employees and managers are not likely to take the process seriously. And it is done by a single manager. If there is a second review, it may be cursory, and therefore not ensure accuracy or fairness.

To this end, this research has addressed the following questions:

- What performance enhancement policies and incentives are put in place to encourage efficiency at HEOSC?
- Does the evaluation system have an impact on employee’s performance and linked to motivational mechanisms?
- What is the major problem that faced by the existing appraisal system? And what measures were taken by the organization to tackle the problem?
- What variables are critically considered by raters in performance evaluation?

1.3 Objective of the study

General Objective:

The main objective of the study is to analyze the impact of performances appraisal on workers efficiency in HEOSC.

The Specific Objectives are:

- To examine policies and procedures of the factory on performance appraisals.
- To assess whether the system help workers to improve their efficiency, or not.
- To identify the strength and weaknesses of the appraisal system.
- To analyze performance feedback systems in the factory.
- To assess the critical variables raters' consider in performance evaluation.

1.4 Significance of the study

The study creates awareness among employees, managers and other member of the factory about the need of effective performance appraisal system. It has a key role on the workers as well as the company's performance. One the basis of research findings, the study forward some constructive suggestion to reduce the harms arising from poor performance appraisal system. Finally this research may also serve as a reference for further study.

1.5 Scope and limitation of the study

The scope this study includes the impact of performance appraisal on workers efficiency in HEOSC. Even though HEOSC has one branch in Addis Ababa, the study is concentrated on both the factory & its branch which is found in Addis Ababa.

The following are some of the limitation of study

- Lack of access to some information in the organization may affect the study.
- Conducting this research without having a free time to be spent on the study affects the quality of the paper. In addition to this there is also a financial constraint.
- Due to financial and time constraint the number of questionnaires that will be distributed to the employees will be very limited.

2. Methodology

2.1 Description of the study area

HEOSC was found in 1987 E.C and established as share company/public Enterprise in 1992 E.C. with initial capital worth of 81,490,000 Birr. The Company has a vision to be worldwide competitive edible oil producer and seller by fulfilling quality standards of edible oil in 2020 and it uses peanut, ground nut, rapeseed, and Niger seed, cotton seed and so on to produce and refine edible oil. The Company is located 510 km away from the capital city Addis Ababa to the Eastern part of the country and more specifically, it is located in Harar city. Currently, the Company has a total of 137 permanent employees in its six different departments among which 31 employees are female and majority of the employees are under the department of production and technique. In addition, it employs 36 contract and daily labourers.

2.2 Sampling technique and Sample Size

Sampling technique to be used in order to select employees in this study will be simple random sampling method. One of the best things about simple random sampling is the ease of assembling the sample. It is also considered as a fair way of selecting a sample from a given population since every member is given equal opportunities of being selected. Another key feature of simple random sampling is its representativeness of the population. Due to the representativeness of a sample obtained by simple random sampling, it is reasonable to make generalizations from the results of the sample back to the population.

For simplicity and representativeness of the sample, first employees have been be categorized in to six major departments, and then proportional number of employees have been selected using simple random sampling technique. In this case the total number of size for employees is 49 and the following table summarizes the calculation.

No.	Department	Number of employees	Proportion	Number of sample respondents
1	Manager Office	7	7/137	2
2	Administration	39	39/137	11
3	Finance	7	7/137	2
4	Production and Techniques	64	64/137	29
5	Commercial	16	16/137	4
6	Quality Control	4	4/137	1
	Total	137		49

2.3 Method of data collection

The study has used both primary and secondary sources of data. To collect primary data with regard to accomplishing the research's objectives, this research has used structured questionnaire, key informant interview, and focus group discussion. The structured questionnaire was used to collect data from operating level employees, trade unions, and line managers with regard to variables used in performance appraisal, the feedback system, weaknesses and strength of the current performance appraisal systems and so on. In addition, key informant interview was made with trade union managers, employee representatives, unit heads, and higher level manager. Moreover, to cross check and justify the validity and reliability of respondents' response a focus group discussion was conducted. The focus groups include operating level employee from different departments, line managers, trade union representatives, and top level managers.

On the other hand, secondary data has been collected from different literatures. Literature explaining performance appraisal definition, concept, methods, and issues; performance appraisal policy; efficiency: definition, concept, organization and efficiency, performance factors determining efficiency; relationship between performance appraisal and efficiency; variables to be considered in performance appraisal and how they affect efficiency; methods of performance appraisal and efficiency; performance appraisal and feedback system amongst others was collected from brochures, books, journals, company profile, websites and any other published and unpublished documents.

2.4 Method of Data analysis

The data collected using questionnaire has been coded and entered into the appropriate statistical software and analyzed using simple descriptive statistics specifically, means, percentages, frequency distribution, range and standard deviation. The qualitative data collected using group discussion and key informant interviews have been analyzed using SWOT analysis, narrative explanation and argument.

3. Financial Budget and time schedule

3.1 Financial Requirement (in Ethiopian birr)

No	Description of cost items	unit	Quantity	Unit cost	Total cost	Remark
1.	Material					
	Stationeries				400	
	Sub total cost				400	
2.	Labor cost					
	Data Collector	person	3	400	1200	
	Sub total cost				1200	
3.	Perdiem					
	Researchers	Days	30	500	15,000	
	Evaluator	Days	12	500	6000	
	Sub total cost				21,000	
	Transportation Cost	Trips	6	265	1590	
	Sub total cost				1590	
	Total cost				24190	
	Contingency (5%)				1209.5	
	Grand Total				25399.5	

3.2 Work plan (Gantt Chart)

Activities	Year 2015/16					
	Dec	Jan	Feb	Mar	April	May
Prepare project proposal						
Library reading						
Preparation of questionnaire & checklists						
Submission of questionnaire & checklists to supervisor						
Collection of comments from supervisor						
Preparation for field						
Field work & field stay						
Cleaning, designing and entering data into SPSS Software						
Analyses of the quantitative data and summarizing the qualitative data						
Write up of dissertation						
Submission of first draft to the Supervisor						
Incorporation of comments from the supervisor and submission of final draft						

References:

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- 3) Adam.M.G,, Elizabeth. MT.C,, Grace. C. Keenan, Davic,L,, Karen.L. Impact and the art of motivation maintenance. The effects of contact with beneficiaries on Persistence behavior. Organizational Behavior and Human Decision Processes 2007, 10:53-67
- 4) **“Assessing the role of work Motivation on Employee Performance” by peter Ebong Ajang.**
- 5) Nelson, B. (2001). “Motivate Employees with intangible benefits”. Available at: [http:// www.findarticle.com](http://www.findarticle.com)
- 6) Young B.C (2000). “Methods of Motivating Yesterday and Today” Available at: [http:// academic empire.edu](http://academic.empire.edu).
- 7) **Hamaressa Edible oil S.C documents (such as organizational chart, performance appraisal formats)**