

# **IMPACT OF PERFORMANCE APPRAISAL ON EMPLOYEES AND THE ORGANIZATION'S PRODUCTIVITY CASE OF SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA**

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## **Abstract**

Performance appraisal as a tool has been widely recognized as a critical asset for both the business and the employees, and it may help the company make many important choices on personnel issues, such as career advancements and this is facilitated by the human resource management department. This research is about evaluating the impacts of performance appraisals on productivity. The goal of this research was to examine the performance appraisal techniques in an organization, see whether they are effective, and identify the many environmental variables that affect performance appraisal programs in an organization. The research was in the case of Shell Petroleum Development Company of Nigeria. Data was obtained from primary and secondary sources throughout this research and was examined. With the completion of this project, the research was able to determine that with regards to the organization's evaluation system, the issue is not with the technique of implementation, but rather with how it is implemented. Therefore, because the intent of the research is not to advocate a new approach but to better integrate the already-used method with its objectives, the researcher's findings can be expressed by saying, As a result, and therefore, since the intent of the research is not to promote a new methodology, but to further strengthen the connection between the utilized method and its objectives. The general conclusion from the findings proved the positive impact of performance appraisal in the case study company productivity, this resulted from the constant positive motivation and the conducive and supporting environment that results from the process of performance appraisal.

**Keywords: Performance appraisal; Shell Petroleum Development Company of Nigeria; Human resource management; productivity**

## **INTRODUCTION**

### **Background of Shell petroleum development company, Nigeria.**

Shell Petroleum Development Company of Nigeria (SPDC) is Nigeria's pioneer and leader in the petroleum business. It generates around 39% of the nation's oil from the vast land it owns. While operating in an oil mining lease area that spans around 31,000 square kilometers, the business operates in the Niger Delta and adjacent shallow offshore regions. The Oil and Gas Authority of Trinidad and Tobago says that SPDC has more than 6,000 kilometers of pipes and flowlines, 87 flow stations, 8 gas plants, and over 1,000 producing wells. Nigerians account for 95% of those employed directly by the firm. The majority of the employees in Nigeria (and especially in the Niger Delta) are Nigerians. an additional 20,000 individuals have jobs that are dependent on the network of enterprises that make up the ecosystem. Its mission is: "To be the operator of the first choice in Nigeria through its commitment to strong economic performance and every aspect of sustainable development." Before the formation of the South Sudan Government Company (SSPDC), the name of the company was Shell D'Arcy, and subsequently, the company was renamed Shell-BP on a joint basis between the Royal Dutch/Shell Group of Companies and the British Petroleum (BP) Group. After locating the country's first commercial oil well in Oloibiri Bayelsa State in 1956, Nigeria has

gone on to uncover several other oil discoveries, the latest of which has substantial gas potential. With these kinds of the workforce, the company has deployed HRM to manage its employees. According to findings from questionnaires, performance appraisal has been a practice by the HRM department in the company and some of its outcomes will be discussed in this paper.

## Introduction

Human capital is one of the major investments that most firms including SPDC undertake. To guarantee that the initiatives the organization has made in terms of human capital take performance to peak levels it is necessary for evaluation. How do you guarantee that those investments remain on course? I may restate this to say: To put it another way, how do you assess and optimize your return on human capital? It is proposed as an integrated strategy to assess and manage human capital that is referred to as people equity. A focus on equity, as it applies to business strategy, is built around three major components: alignment, how well the workforce is connected to the company's strategy; prowess, the talent, relevant data, and resources necessary to deliver the strategy; and involvement, how committed the workforce is to the company. Policies, both of which must be reviewed and evaluated continually. In the past, human resource managers have paid close attention to employee performance. Thus, to get a better picture of employee performance, a variety of assessment methodologies have emerged through time. Performance assessments are being used nowadays in addition to just measuring an employee's performance, but it is also possible to measure characteristics such as motivation with the use of performance assessments. In light of this, this study aimed to research the impact of performance rating methods on employee motivation. The major aims of the research were to find out whether or not performance evaluation may serve as a motivator and, if so, whether or not that poses any risks. The results of the research suggest that when an organization employs performance assessment as a motivational tool, considerable beneficial consequences appear and this is among the many reasons Shell Petroleum Development Company of Nigeria may be at a competitive edge. This research demonstrates that by employing the right performance appraisal method together with factors like training and clear objectives an organization's productivity is more likely to increase.

## Project objective

- How has Shell Petroleum Development Company of Nigeria employed performance appraisal?
- Alternative methods of performance appraisal other than the one in the study case.
- To understand and relate the relationship between performance appraisal and productivity at Shell Petroleum Development Company of Nigeria.
- How does performance appraisal influence employee motivation?

## Scope of the study

The focus of the discussion Performance Appraisal was intended to improve the quality and quantity of the organization (Shell Petroleum Development Company of Nigeria). As described by the following points, the scope of the investigation is the same

1. To boost productivity through raising performance.
2. To equip the company will satisfy its future personal needs via the project.
3. The employee will benefit from this program by gaining information and competence, all while making progress in their group.

## REVIEW OF LITERATURE

Human resources are all the individuals who contribute to an organization's operations. Human resource management (HRM) focuses on employee rules and procedures, as well as administrative systems and activities, that impact the workforce (Vyas & Junare, 2019). Decisions that have an impact on the workforce of the firm impact the HR management function. Because line managers spend more than four percent of their time on human resource operations including recruiting, appraising, disciplining, and scheduling people, HRM processes are widespread across the firm (Jaiswal, 2020). In the subject of performance management, performance evaluation is a commonly studied subject. The relevance of performance assessment systems originates in part from the contemporary business climate, which is characterized by the requirement to meet organizational objectives while also remaining competitive in highly competitive markets through exceptional employee performance (Idowu, 2017). Various studies demonstrate that corporations have little influence over their workers' conduct in this environment (Jaiswal, 2017). Organizations, on the other hand, have influence over how personnel carry out their duties. Furthermore, research on performance management suggests that a considerable proportion of workers want to do a good job as part of their own ambitions and as a display of devotion to the company (Rowland & Hall, 2012). The capacity to give workers with the correct working environment, it is said, is the key to ensuring that they perform successfully. Fair treatment, support, efficient communication, and teamwork are common features of such an atmosphere (Rowland & Hall, 2012). While concentrating on performance assessment as a motivating tool, research suggests that performance assessment systems may be utilized to boost motivation. However, since the connection between performance assessment and employee motivation has been investigated in a conventional or broad approach, the association is frequently ambiguous. Traditional performance assessment has been criticized for rewarding win-lose outcomes rather than win-win outcomes, in which the system encourages helpful and cooperative conduct (Rowland & Hall, 2012).

### Problem statement

In Nigeria, the performance appraisal approach is often poorly constructed and doesn't concentrate on helping improve performance. When administering an organization, most managers perceive it as a means of punishing. This decreases the purity of the sand, causing it to lose its aim and does not strive to realize its aim of correcting errors, resulting in more production and throwing all obstacles out of the way. However, it is often utilized as an effective way to get rid of all kinds of hindrances that may be interfering with work efficiency. While it is now being used to subjugate, victimize, and exploit, it has previously been used to diminish the authority and instill fear. Although most firms have returned to doing objective performance evaluations, the social value system has constrained this process and the conclusion. Subjectivity trumps objectivity.

### Performance appraisal concept

An examination of an employee's performance on the job and their potential for improvement is known as a performance appraisal. A performance review takes place over some time and focuses on an employee's work in that period (Ulfsdotter, Larsson & Adolfsson, 2021). Differences in each employee's background, experiences, knowledge, skills, talents, and aptitudes result in diverse pieces of work produced by various workers. Differences such as this need specialized training and development programs. It's like an annual performance evaluation and the manager's evaluation of an employee's work over the past year. Also, to reward employees who, perform better, management must identify these distinctions so that people who possess better job performance abilities, skills, and knowledge can be rewarded on one hand, while personnel who have been placed in the wrong positions can be shifted or sanctioned on the other. Performance evaluation gives a metric so that employees may raise their performance levels.

### Characteristics of performance appraisal

1. It is a process.

2. It is the evaluation of employees' weaknesses and strengths on how they perform their respective duties.
3. The assessments are organized regularly according to a set strategy, which refers to an ongoing and continuous process.
4. Performance assessment has as its primary goal securing valuable information that is important for making impartial and right decisions about an employee.

### Conducting performance appraisal

The competence and training required to conduct a performance evaluation with an employee apply to both appraisers and their clients. One of the main causes of the dislike of performance appraisals is because people feel that they are being scolded throughout the process. A performance assessment is an antithesis of what it was designed to be. For the most part, the cause of evaluation problems is due to the method in which they are done through the use of language. A message's sender's choice of words has a profound impact on how the other person receives the message. Tone, word choice, or even nonverbal communication are all attributes of one's communication style. To provide constructive criticism, a performance assessment must employ the right language and conduct. HR is the supporting infrastructure for managers and supervisors to be taught in managing the assessment process in a considerate manner.

### Types of performance appraisal

- ❖ Modern
- ❖ Traditional

#### *Modern types*

Some of the methods include:

1. Self-evaluation- In this scenario the employees conduct assessments on themselves against some set criteria.
2. Behavioral checklist- This is the type of appraisal when an employee is assessed against several character traits and if the employee poses a trait then the trait is ticked.
3. 360-degree feedback- The employee receives feedback round-wise not only from the supervisor but also from team members and other sources.
4. Rating scale-Ratings scales are typical tools for evaluating people. It employs a predefined set of criteria for evaluating employees that a supervisor utilizes. To have a final score determined after the review, each criterion set is weighted to ensure each item has a numerical value assigned to it.
5. Management by objectives- This evaluation method is rising in popularity; it is a newer technique. It requires both the employee and the management to agree on a manageable objective the employee is going to work hard to accomplish over a certain period. The objectives and how they have been reached are evaluated at the following review session, but new objectives are then set.

#### *Traditional methods*

Some of the methods include:

1. Free essay method- To my mind, essay assessment is the easiest of all accessible evaluation procedures. This narrative assessment procedure describes strengths, flaws, previous performance, potential, and recommendations in the form of a narration. A particularly favorable feature of the system is that it is easy to operate. It's not difficult to accomplish.
2. The paired comparison-This approach requires each employee to be evaluated against every other employee based on a single feature, such as personality type. Two slips are handed to the rater,

each having a different unique pair of names on them. Then, the rater places a tick mark next to the employee whose name appears on the list with the greater reputation. This employee's rating is dependent on the number of times he or she is described as being better than others.

3. Grading method- Certain categories of worth are fixed in advance and meticulously specified in this manner. The following classifications may be used to evaluate the overall performance of employees: excellent, satisfactory, and unsatisfactory. More than three grades may exist. Performance is evaluated according to criteria outlined in grading definitions. That means the employee is first distributed based on his or her performance. In the selection of a candidate for public service, grading such as this is done in the Semester format of exams. A serious problem with this technique is that raters are more likely to rate workers in the upper levels of their abilities.

### Purpose & Limitations

#### Purpose of the study:

- The human resource management department in the Shell Petroleum Development Company of Nigeria is playing an essential role in the company, it is crucial to track and improve employee performance.
- To evaluate employees' performance and identify potentials.
- To realize any training requirements and needs.
- To identify strengths, look for ways to improve, and provide constructive feedback.
- Human resources are an organization's most valuable assets. Employees, performance, abilities, innovation, and professional knowledge are all important ways to promote an organization's recognition.

#### Limitations of the study:

While completing the research, several constraints and constraints were encountered, such includes making textbook information consistent with real-life scenarios and talking to the organization's personnel. This is the first time I've produced this sort of report. Thus, this constraint was discovered. This list had the following restrictions:

- No prior studies and sources of information were found to be accessible on the issue.
- It was highly restricted to get access to key files and records.
- Due to confidentiality, the HR department was unwilling to provide any information.
- In most cases, there was a lack of updated information.

## RESEARCH METHODOLOGY AND DESIGN

#### The objective of the study:

- To identify the method of performance appraisal used by Shell Petroleum Development Company Nigeria.
- Employee attitude towards the current appraisal technique.
- Review of the current appraisal technique
- Offer suggestions and recommendations based on the research conducted.

### The hypothesis of the study:

1. Performance appraisal is creating a positive impact on Shell Petroleum Company on its productivity.
2. Performance appraisal is not creating a positive impact on Shell Petroleum Company on its productivity.

### Research Methodology

Data sources for statistical enquires:

- ❖ Primary
- ❖ Secondary

### Sampling plan:

SPDLC has directly employed over 45,000 employees working on different functionalities of the organization. The sampling process was based on various factors:

- The willingness for co-operation.
- Positions held at the organizations.
- Personal background of employees.
- Period of service to the organization.

I settled for a smaller percentage of the sample population but still a distinctive one for effectiveness and fast analysis of as well as to avoid repetitive results.

Sample size: 100

Male: Female ratio: 65:35

Sample area: Rivers State, Nigeria

Duration: 4 weeks

## DATA COLLECTION

### Data sources

- Internet (secondary data source).
- Questionnaire (primary data source).
- Personal interaction.
- Contact method.

### *Nature of the questionnaire*

The questionnaire all had a total of 7 questions and all of the questions were closed-end type questions.

### *Method of presentation*

Additionally, the presentation is produced in the tabular and bar graphs style. Each table is interpreted and presented graphically to showcase that table's definition. There was just one question in the histogram.

## RESULTS AND DISCUSSION

Data analysis results

Q.1

Years of service for the organization

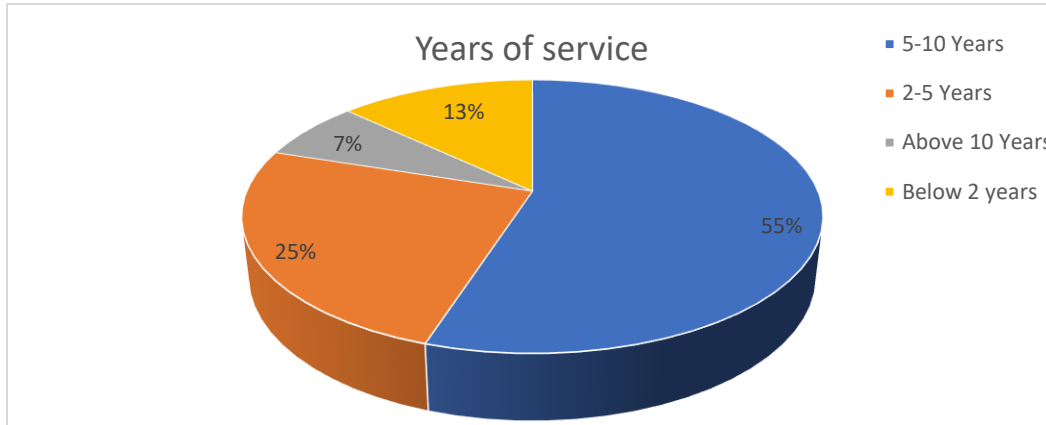


Fig 1. Chart showing percentage of employees and their respective years of service

Interpretation

From the chart above we can conclude that most of the Shell petroleum employees range from 5-10 years of service while the minimum is below 2 years.

Q. 2

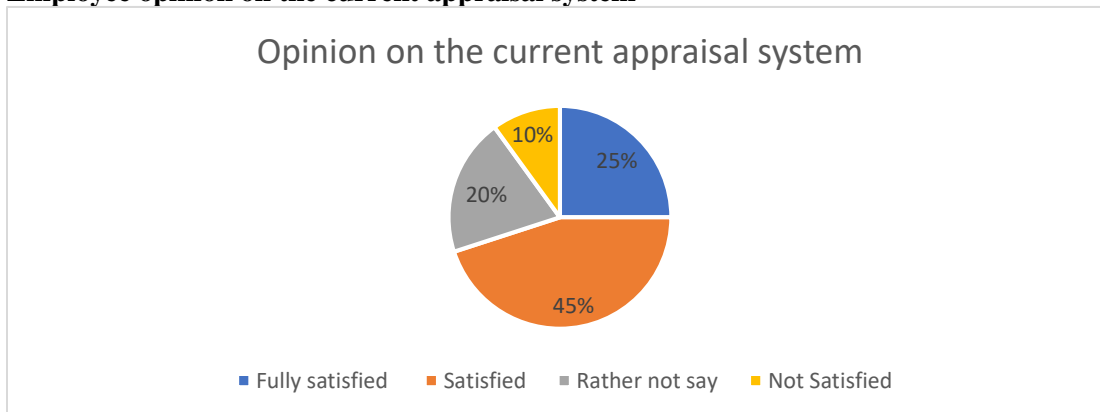
Awareness of performance appraisal by the organization

The number of responses where 50 whereby 73% of them responded with a 'YES' and 27% with a 'No'.

This can be interpreted that the majority of the employees are aware of performance appraisal practices within the organization.

Q.3

Employee opinion on the current appraisal system



on the current appraisal

Fig.2 Chart showing opinion system

### *Interpretation*

Based on the responses of the employees who participated, most of them are satisfied with the current appraisal system and just 10% of them are not satisfied.

Q. 4:

#### **How performance appraisal impacts the productivity of individual employees**

	<b>Total of 100 employees</b>	<b>Percentage</b>
<b>Positively</b>	<b>92</b>	<b>92%</b>
<b>Negatively</b>	<b>8</b>	<b>8%</b>

**Fig. 3 Table showing appraisal impact on employee productivity.**

### *Interpretation*

The majority of the sample employees consider performance appraisal to have a positive impact on their performance whereas a low percentage of 8% does not realize any positive associated with performance appraisal.

Q.5:

#### **Who should do the appraisal**

The question was responded to by 50 employees and the results were according to the table below.

	<b>Responds</b>	<b>Percentage</b>
<b>Peer</b>	<b>8</b>	<b>16%</b>
<b>Superior</b>	<b>27</b>	<b>54%</b>
<b>Consultant</b>	<b>9</b>	<b>18%</b>
<b>Subordinate</b>	<b>6</b>	<b>12%</b>
<b>Self-appraisal</b>	<b>0</b>	<b>0%</b>

**Fig.4 Table showing responses on who should do the appraisal process**

### *Interpretation*

The majority of the employees prefer performance appraisal to be conducted by supervisors while none of them preferred self-appraisal.

Q. 6

#### **Does performance appraisal identify potential or skill?**

	<b>Responses out of 50</b>	<b>Percentage</b>
<b>Yes</b>	<b>44</b>	<b>88%</b>
<b>No</b>	<b>3</b>	<b>6%</b>
<b>Not sure</b>	<b>3</b>	<b>6%</b>



**Fig. 5 Table showing opinions whether appraisal identifies potential.**

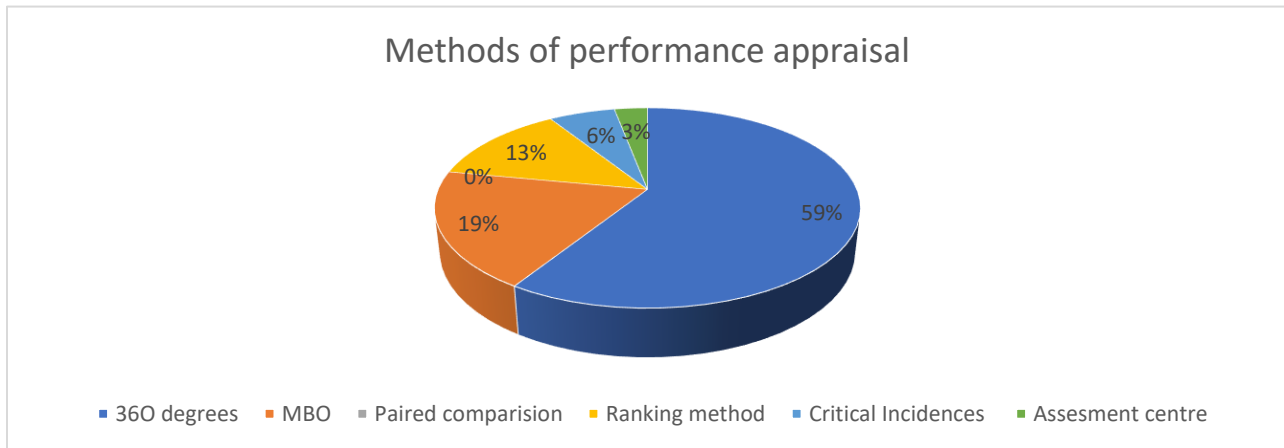
*Interpretation*

The maximum number of employees agrees that performance appraisal helps to identify potential and new skills while 6% are not sure and 6% also don't think that performance appraisal helps in identifying new skills and potential.

Q.7

**Appropriate method of conducting a performance appraisal.**

The responses are indicated by the chart below



**Fig.6 Chart showing responses on methods of appraisal.**

*Interpretation*

360- Degrees method is the most preferred method of appraisal according to the sample employees while none of the employees thinks that paired comparison is the best way to go about the performance appraisal.

*Discussion*

**Relationship between performance appraisal and employee performance**

The research discovered a positive result on the impact of performance appraisal. According to the statistics, most of the employees are aware of performance appraisal practices within the organization and most of them are satisfied with the current system. According to the figures, the 360-degree method of performance appraisal method was highly favored by the majority of the employees. The whole process is likely to be more effective when conducted by supervisors compared to subordinates, peers, self-assessment and when done by a consultant (Ryu et al.,2020). Generally, performance appraisal has a positive impact on an employee and this will be effective considering the factors discussed above and based on the following factors:

1. Who is doing the performance appraisal?
2. Which method of performance appraisal is employed?
3. What are the employees' opinions towards the approach?
4. Are the employees aware?

Employees' awareness of the whole process is more likely to be a contributing factor in improving the efficiency of the whole appraisal process.

#### Relationship between employee performance and organizational productivity

An increase in employee performance is one of the remedies to improve organizational productivity (Idowu, 2017). Human labor is one of the essential inputs in production and offers a wide range of services in production, it even manages other factors of production such as capital and technology increase in the efforts by human factors in production stimulates a general increase in production. Performance appraisal is one of the methods that can be employed to increase human factor performance.

#### Further research

As much as we have concluded that performance appraisal is a vital process in improving organization productivity, according to the analysis above 12% of the sample employee they either did not realize the positive impact or they were not sure. It is necessary for researchers in the same field to account for the 12%.

### CONCLUSION

Performance appraisals assist supervisors and employees in discovering an employee's strengths and flaws (Iqbal, Akbar, Budhwar & Shah, 2019). Managers and workers may discuss their objectives, as well as the objectives of the whole department or company, while also cultivating and building the required skills and talents needed to achieve those objectives. Employee expectations and how an employee's work contributes to the bigger organization's success are linked in excellent performance reviews. They assist employees to define the expectations that their management has for them, as well as helping them identify their priorities. Communication between workers and supervisors would ideally be opened up with a performance assessment. Appraisals that measure performance help both the organization and individual personnel. Supervisors may foster good relationships with workers, resulting in increased employee productivity and employees' loyalty to the company. Performance evaluations help employees to recognize how their involvement in the company's overall performance adds to the business' success, and that motivates them to work hard. Employees' increased productivity is a direct result of all of these. Don't use performance assessments as a replacement for open communication. During the assessment meeting, nothing should be unexpected to the employee. When a problem arose, it should have been handled immediately. After a performance review, it is critical to schedule regular one-on-one check-ins with the employee to review his progress on his objectives that were outlined at the meeting. Motivation is something that helps workers stay engaged and stimulated. For an effective assessment meeting, the aim should be for everyone to openly discuss ideas and develop an action plan that both meets the individual's and the organization's objectives (Islami Mulolli & Mustafa, 2018).

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