

Impact of Employee Appraisal on the Performance of Garment Manufacturing Small & Medium Scale Enterprises (SMEs) in Nigeria

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Abstract

Performance appraisal (PA) is the pivotal mechanism for fostering entrepreneurship. Human Resource (HR) practices in this area, more than any other, communicate performance expectations and reinforce desired behaviors of Employees. Interestingly (but it's better to say unfortunate, due to SMEs significant role), virtually no work has been done concerning performance management in entrepreneurial organizations. A recent study on exploring HRM practices in SMEs in UK, suggests that, although some form of appraisal is used by half of the respondents, overall, formal systems are rare. This study is poised to assess the impact of Employee Appraisal on the Performance of Garment Manufacturing SMEs in Nigeria. The reliability test shows that the instrument is reliable with a value of 0.852. The regression model $Y = 2.44 + 0.094x$ gives an insignificant model with a value of 0.0335. In the descriptive statistics table the average no. of respondents disagree with the items in the questionnaire, hence the minimum value of 1.00 and maximum value of 2.00 the mean responses support the model with an average Mean value of 2.006. The study revealed a significant gap between what should exist and what in fact is existing as stated in the literature review. That is, there were no formal and conscious employee appraisal systems being practiced among the sampled garment firms. Interviews also revealed that some enterprises were not serious about PA; others did not do PA as planned while others were ignorant of a formal performance appraisal system. It is recommended that Entrepreneurs in this sector embark on regular Employee Appraisal to ascertain their areas of strength and weaknesses in a view to strengthening their potentials.

Keywords: Performance appraisal, SMEs, Garment Manufacturing, Human Resource Management and Value chain.

Background to the Study

The Small and Medium Enterprises (SMEs) sector in which most of the Garment Industry falls is increasingly recognized as the prime vehicle for economic development globally (Rouix, Bernthal, and Wellins, 2000). It is a major source of employment, revenue generation, innovation and technological advancement. The individual performance of each enterprise determines its economic growth and development (Pushpakumari and Watanbe, 2008). Hamilton & Dana (2003) opined that the economic performance of any country is closely linked to her SME sector, while SMEs themselves rely heavily on their employees and on their human resource management (HRM) practices for success (Brand & Bax, 2002).

Being a developing continent, Africa is in serious need of a performance culture of excellence in every organization particularly in the garment making Small and Medium Scale Enterprises (SMEs) as her socio-economic development heavily depends on success and performance of organizations' employees for which Employee Appraisal is a sine qua non (*Fajana, 2009*). Employee Appraisal is concerned with identifying, measuring, influencing and developing job performance of employees. "There is perhaps not a more important human resource system in organizations than Employee Appraisal and supervisors' ratings of subordinates'; performance represent critical decisions that are key influences on a variety of subsequent human resources actions and outcomes" (Judge and Ferris, 1993).

While the share of developing countries in the textile and garment trade has been rising, the increase has been more pronounced in the more labour-intensive and lower-value added segment of garment manufacturers here in Nigeria. However, the general situation in Nigeria indicates that the factor which should improve the profitability of garment manufacturing SMEs so that they are successful and grow into conglomerates is under-engaged. According to Ariyo (1999) and Ihua (2005) despite being the catalysts of economic growth and development, as well as the backbone of the nation, SMEs in Nigeria has grossly under performed. The lack of research on the successful implementation of Employee Appraisal practice in Nigerian clothing manufacturing SME's is culminating in a degradation of the quality of the industry. This gap presented the researcher with an opportunity to explore and to gain a little more understanding of the relationship between Employee Appraisal and firm performance. It is in the light of the above that this study seeks to investigate the impact of Performance Employee Appraisal on the performance of Garment Manufacturing SMEs in Kaduna metropolis, Nigeria.

Definition of Key Words

Employee Appraisal: According to Stewart and Brown (2009), Employee Appraisal is the process of measuring and providing feedback about employee contributions to the organization.

Small and Medium Enterprises (SMEs) or Small and Medium-sized Businesses (SMBs) are companies whose personnel numbers fall below certain limits. This limit varies from country to country (European Commission, 2003). In Nigeria, the Central Bank of Nigeria defines small and medium enterprises in Nigeria according to asset base and number of staff employed. The criteria are an asset base between N5 million and N500 million, and a staff strength between 11 and 300 employees.

Garment Manufacturing is the process by which clothing is made (Answers.com, 2014)

HRM is the organizational function that deals with issues related to people such as compensation, hiring, performance management, organization development, safety, wellness, benefits, employee motivation, communication, administration, and training in to attain organizational goals (Health field, 2013).

Avalue chain is a chain of activities that a firm operating in a specific industry performs in order to deliver a valuable product or service for the market (Porter, Michael, 1985).

Objectives of the Study

1. To determine the mean response of the respondents at appraisal affect the performance of garment manufacturing SMEs in Kaduna metropolis.
2. To determine the significance of relationship between appraisal performances of garment manufacturing SMEs in Kaduna metropolis.
3. To determine significance of effect of appraisal on performance of garment manufacturing SMEs in Kaduna metropolis.

Literature Review

Literature by (Opatha, 2013) on the Performance Management (PM) presents two meanings to the term Performance Management. "First meaning is that PM is an alternative term to Performance Evaluation or Performance Appraisal, PA or Employee Appraisal". According to Stewart and Brown (2009), PA is the process of measuring and providing feedback about employee contributions to the organization. Lepak and Gowan (2010) define PA as the process of evaluating employee performance against the standards set for them as well as helping them develop action plans to improve their performance. Second meaning is that PM is a broader concept that stresses establishing objectives based on strategic goals of the organization, employee feedback, coaching for employee development and appraisal (Aguinis, 2007). In view of Mathis and Jackson (2009), PM is a series of activities designed to ensure that the organization gets the performance it needs from its employees and performance appraisal is the process of determining how well employees do their job relative to a standard and communicating that information to the employee. According to them, PM involves a series of activities leading to achieving organizational performance through employees and PA is a part of PM. Indeed PA is in PM. However PM is broader than PA. PA is an integral part of PM and indeed the heart of PM is PA. In other words the essence of PM is PA.

Employee Appraisal System in Nigeria

For most organizations in Nigeria, performance appraisal is a dialogue process and serves as a mentor to generally mold the individual to perform at an optimal level. The employees are allowed to carry out a self-evaluation based on engagements and projects they are involved in during the assessment period. It is expected that performance appraisal system should be a fair process involving assessments on skills, technical knowledge and how well the employee can offer quality service delivery. However, the lack of skill and know-how of the appraiser have made some of the tools and parameters for appraising employees' performance to be faulty. Such appraisal system and process might not capture what it is expected to. The concern to develop the right performance appraiser system have pushed indigenous companies in Nigeria to employ expatriate services, as trainers, in positions requiring special skills and expertise, with which Nigerian workers cannot compete. These supervisors assess the performance and recommend for promotions as the case may be.

Importance and Rationales for Performance Appraisal (PA)

As quoted by DTI (2012) 'When you can measure what you are speaking about and express it in numbers, you know something about it' (Kelvin). 'You cannot manage what you cannot measure' (Anon). These are two often-quoted statements that demonstrate why measurement is

important. Yet it is surprising that organizations find the area of Appraisal so difficult to manage. In the cycle of never-ending improvement, performance appraisal plays an important role in:

- a. Identifying and tracking progress against organizational goal.
- b. Identifying opportunities for improvement
- c. Comparing performance against both internal and external standards

According to UKDTI, (2012), reviewing the performance of an employee is also an important step when formulating the direction of the strategic activities. It is important to know where the strengths and weaknesses of the employee lie, and as part of the '*Plan Do Check Act*' cycle, Appraisal plays a key role in quality, skill and productivity improvement activities. The main reasons it is needed are: It measures how well and how far employees are performing their jobs within the period being considered for enhancing human performance (self and others) and business performance of the organization. The impact of PA on human development and institutional development has been theoretically and empirically well established. A recent study (Ali and Opatha, 2008) in Sri Lanka showed a significant and positive relationship between perceived systematic use of PA system and perceived degree of business performance of apparel firms in Sri Lanka. The relationship found was strong (correlation coefficient was 0.826 that was significant at .0005) implying that an apparel firm, though it is large or non-large, should adopt a more systematic PA system so as to improve its business performance.

PA is expected to provide answers to many of the questions in respect of people management in enterprises. It has a variety of utility and serves as a summative function (to assist in making equitable and effective personnel decisions); a formative function (to improve employee current and future performance); and an informative function (a communication to the employee dealing with upward and downward communication for self-development) (Opatha, 2009). Ideally a good PA system can be used to achieve at least administrative purposes that include:

- (1) To grant salary/wage increment;
- (2) To select employees to be promoted;
- (3) To determine the gravity of disciplinary actions;
- (4) To terminate/confirm employment;
- (5) To validate selection tools; and
- (6) To reward employees

Other than the above stated core purposes of PA, the following are other vital rationales for conducting PA:

- (1) To ascertain potential performance and development needs of the employee so as to develop him/her;
- (2) To identify training needs of each employee so as to improve each employee's job performance;
- (3) To counsel employee; and
- (4) To assess results of training programs.

It is also important to understand the impact of PA on improvements in business performance, on sustaining current performance and reducing any possible decline in performance.

A Simple Performance Appraisal/Measurement Framework

According to the UKDTI, (2012) a good performance measurement framework will focus on the employees and measure the right things. Performance Appraisal must be:

- a. Meaningful, unambiguous and widely understood
- b. Owned and managed by the teams within the enterprise
- c. Based on a high level of data integrity
- d. Such that data collection is embedded within the normal procedures
- e. Able to drive improvement
- f. Linked to critical goals and key drivers of the enterprise

“There are four key steps in a performance Appraisal framework” - the strategic objectives of the enterprise are converted into desired standards of performance, metrics are developed to compare the desired performance with the actual achieved standards, gaps are identified, and improvement actions initiated. These steps are continuously implemented and reviewed as shown in fig 1 below:

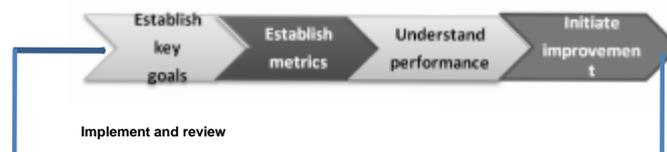


Fig. 1: A simple performance measurement framework
Source: UKDTI, (2012)

Initially, focus on a few key goals that are critical to the success of the organization or business, and ensure they are SMART, i.e.: Specific, Measurable, Achievable, Relevant, and Timely

Once the goals have been defined, the next step in developing a performance measurement framework is to define the outcome metrics - what has to be measured to determine if these goals are being achieved. If it is difficult to define outcome metrics for a particular goal, it is possible that the goal is either not “SMART” or critical to the success of the business.

For each outcome metric, brainstorm candidate drivers by answering the question, “*What measurable factors influence this outcome?*” Once the list is complete, select those with greatest impact, and these, the most important drivers, should have driver metrics, and be put in place first. Driver metrics at one level will be outcome metrics at the next level down.

An enterprise needs to evolve its own set of metrics/standards, using any existing metrics as a starting point in understanding current performance. To ensure they trigger the improvement cycle, they should be in three main areas:

- a. Effectiveness = Actual output x 100% / Expected output

This is about the process output, and doing what you said you would do. The effectiveness metrics should reflect whether the desired results are being achieved, the right things being accomplished. Metrics could include quality, e.g., grade of product or level of service, quantity.

b. Efficiency = Resource (human) actually used x 100% / Resources planned to be used

This is about the process input, e.g., labour, staff, equipment, materials, and measures the performance of the process system management. It is possible to use resources efficiently, but ineffectively.

c. Productivity = Outputs / Inputs which can be quoted as:

Expected productivity = Expected output / Resources expected to be consumed or

Actual productivity = Actual output / Resources actually consumed

Simple ratios, e.g., *tones per person-hour, computer output per operator per day*, are used.

The next stage of the performance appraisal is to design a data collection/reporting process using the following steps:

- a. Set up a system for collecting and reporting data
- b. Write clear definitions
- c. Agree method for establishing current performance (if not already determined)
- d. List resources required to support the design
- e. Agree data formats and classifications for aggregation and consolidation
- f. Identify possible sources of benchmark data
- g. Set reporting calendar
- h. Establish roles and responsibilities
- i. Detail training requirements
- j. Validate with process stakeholders. See figure 2 below:



Figure 2: Performance Appraisal conceptual framework
Adapted from Opatha (2005)

The gap between current and desired performance now has to be measured. Some of the metrics already exist and their current performance data must be collected, as well as data for new metrics.

Once all the data has been collected to identify the current performance, the target level of performance for the medium- and long-term must be decided. These performance levels must be achievable, and should be broken down into targets for discrete short-term intervals. To implement the performance appraisal framework, a plan with timescales and designated responsibilities is needed. Once the plan has been implemented and data collected, new baselines can be set, comparisons made and new standards/targets set. The metrics, targets and improvement activities must be cascaded down through the enterprise, involving people and teamwork in the development of new metrics, data collection and improvement activities. Improvement can be initiated by examining the gaps between current and target performance of the driver metrics at each level. A minimum, achievable set of actions is determined, with plans, assigned responsibilities and owners.

The critical elements of a good performance measurement activity are very similar to those required for a total quality improvement activity:

- a. Leadership and commitment
- b. Good planning and a sound implementation strategy
- c. Appropriate employee involvement
- d. Simple measurement and evaluation
- e. Control and improvement

Observational studies revealed that some organizations were not serious about PA, some did not do PA as planned and others faced various problems of ineffective PA systems. Another recent study (Opatha, 2011) revealed that there was statistical evidence to claim that the degree of systematic use of Human Resources Management practices of multinational firms including PA is significantly different from that of local firms; In fact the degree of systematic use of Human Resource Management practices of multinational firms including PA was greater than that of local firms. However, none of the firms had a PA system whose quality level was very high.

Methodology of the Study

The analysis in this study is based on the data collected from a survey of 100 garment manufacturing SMEs with between 1 and 20 employees within thirteen (13) districts in Kaduna metropolis. Stratified sampling technique was adopted. Collection of data was securely obtained from garment manufacturing SMEs through questionnaires and oral interview as instruments to carry out this survey. The required data were obtained from two main sources: primary and secondary. Field work was conducted in the study area to collect primary data including in-depth interviews and observations; secondary data were obtained from relevant and critical literature studies.

The empirical analysis was conducted by univariate. First, the hypothesized relationship between training & development and the independent variable was tested by parametric statistical test

which makes minimal assumptions about the underlying distribution of data. The regression models were all rigorously tested to avoid multi linearity and auto correlation.

Results and Discussions

Table 1: Reliability Statistics

Cronbach's Alpha ^a	N of Items
0.852	38

The reliability test conducted on the items using Cronbach's Alpha shows that the instrument of data collection (questionnaire) used for the purpose of the research is strongly reliable at 0.852 which shows that the instrument can be used for the research purpose.

Table 2: The Correlation table below shows the relationship and significance of relationship that exist between performance of garment manufacturing of SMEs in Nigeria and Employee Appraisal on the performance of Garment manufacturing small and medium enterprises.

	Performance of garment manufacturing of SMEs in Nigeria	Impact of Employee Appraisal on the Performance of Garment Manufacturing Small and Medium Enterprises(SMEs) in Nigeria
performance of garment manufacturing of SMEs in Nigeria	1	-0.123
Pearson Correlation		.220
Sig. (2-tailed)		100
N	100	100
Impact of Employee Apraisal on the Performance of Garment Manufacturing Small and Medium Enterprises(SMEs) in Nigeria	-0.123	1
Pearson Correlation	.220	
Sig. (2-tailed)	100	100
N		

Interpretation: the correlation value is negative (- 0.123) with a P- value of 0.220 which is greater than level of significance = .05, this signifies that employee appraisal has small or no impact on performance of garment manufacturing small and medium enterprises (SMEs) in Nigeria.

Table 3: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.444	.271		9.032	.000
Impact of Employee Apraisal on the Performance of Garment Manufacturing Small and Medium Enterprises(SMEs) in Nigeria	.094	.098	.097	.968	.335

a- The dependent variable (performance of garment manufacturing SMEs in Nigeria.)

Interpretation: The above table on regression coefficients shows that the value of the slope, independent variable 0.094 is insignificant with p- value of 0.335 as compared to 0.05 level of significance, which signifies that the model , cannot be used to forecast performance of garment manufacturing SMEs in Nigeria.

Table 4: Descriptive statistics

	Mean	Minimum	Maximum	Variance	N of Items
Item Means	2.006	1.00	2.00	1.117	100

Interpretation: the descriptive analysis shows that the average numbers of respondent disagree which shows that the Employee Appraisal does not have any impact on the Performance of Garment Manufacturing Small and Medium Enterprises(SMEs) in Nigeria

Discussion and Findings

The reliability test shows that the instrument is reliable with a value of 0.852. The correlation table shows impact of employee appraisal on performance of Garment manufacturing SMEs in Nigeria are negatively correlated at -0.123.

The regression model $Y = 2.44 + 0.094x$ gives an insignificant model with a value of 0.0335.

In the descriptive statistics table the average no. of respondents disagree with the items in the questionnaire, hence the minimum value of 1.00 and maximum value of 2.00 the mean responses support the model with an average Mean value of 2.006.

The study revealed a significant gap between what should exist and what in fact is existing as stated in the literature review. That is, there were no formal and conscious employee appraisal systems being practiced among the sampled garment firms. Interviews also revealed that some enterprises were not serious about PA, others did not do PA as planned while others were ignorant of a formal performance appraisal system.

The study also revealed some major reasons for not having effective high quality PA systems in most of the enterprises in the study area:

1. It seems that owner managers do not believe that PA is a driver of job performance and business performance and it has a variety of utility. In fact they do not have the right attitude about PA.
2. Some organizations have a culture that is not valuing excellence at work. Majority of employees are moderate in terms of job performance and having a fear and a dislike to get their job performance evaluated. Also they have reluctance to see that few employees are excellent at work and are better than them owing to jealousy and inability to face competition.
3. Line managers in some garment enterprises do not take PA as a serious method as it has no link with rewards and training and development.
4. Also doing PA has not been specified as an essential duty of job descriptions given to managers.
5. In some cases, there is no objective of high quality PA system developed due to lack of expertise in PA.

Conclusion

Based on the analysis of the performance of Garment manufacturing SMEs, and the impact of employee appraisal, the result shows that there is no impact at all because of the negative correlation -0.123. Therefore the model cannot be used for prediction.

In many of the Garment manufacturing Small and Medium Enterprises (SMEs) studied, there are few or no appraisals conducted on employees hence the negative impact. Many of the items observed in the instrument were negatively answered e.g. tracking of individual employee alternation rates has a mean value 2.002; tracking of productivity of each dept is seldom recorded with mean 1.902. The garment manufacturing Small and Medium Enterprises (SMEs) are not ready to develop as their counterpart in the global world.

Recommendation

Therefore, it is recommended that enterprises particularly garment making SMEs should be sensitized to inculcate the habit of periodically undertaking the practice of Employees' Performance Appraisal and see it as one of the key organizational objectives towards effectiveness and efficiency. With this in mind, a systematic process towards achieving an effective Performance Appraisal which is composed of ten broad steps is proposed as shown in figure 2.

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