



**RELATIONSHIP BETWEEN PERFORMANCE APPRAISAL AND ORGANIZATIONAL PERFORMANCE AT BATA SHOE COMPANY (K) LIMITED, ELDORET TOWN**

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**ABSTRACT**

*The purpose of the study was to examine the relationship between performance appraisal and organizational performance. Business firms face unprecedented demand for improvement and transformation in order to be strategically oriented and remain competitive. Recent research in organizational performance claim that performance appraisal brings a multitude of benefits to organizations and their employees. Firms that appraise their employees, regularly, benefit from improved profitability and competitiveness. The study's specific objective was to analyze the relationship between performance appraisal and organizational performance at Bata Shoe Company (K) Limited, Eldoret Town. The study was guided by the Agency Theory which posits that, actors are motivated mainly or only by economic self-interest. Close surveillance is required to eliminate the risk of shirking and other deviant behaviours. The study adopted a blend of quantitative and qualitative research approaches. The study used questionnaire and interview method to acquire pertinent information from respondents. Regression analysis was used for data analysis. The study concluded that there is significant relationship between performance appraisal and organizational performance at Bata Shoe Company (K) Limited, Eldoret Town. The study recommended that the company improves on employee performance appraisal with a view to enhancing performance. The findings are very relevant to managers for use in the management of organizational performance. The findings also add new knowledge and insights to the academia and are helpful to government for policy formulation.*

**Keywords:** Employee Development, Performance Appraisal, Organizational Performance, Bata

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## INTRODUCTION

The global nature of work and organizations structures is rapidly changing both on the internationalization and customer expectations of service and quality standards. There is unprecedented demand on organizations to improve and transform them, perpetually, to become more strategic and to remain competitive. New concepts in organizational management like global market place, knowledge economy, knowledge worker information age and digital revolution emphasize that; an organization's ability to survive in a constantly changing business environment, "is founded on its capacity to generate, share new knowledge and innovate, continuously" (Makafai, 2014). According to a study by Harrison (2005), "knowledge is recognized as the driver of productivity and economic growth" (pp.124). Hence, organizations can only remain competitive in their niche, if they engage in continual learning process and innovation with intentions to outperform their competitors, both on the national and global environments.

### Statement of the Problem

The overall performance of Bata Shoe Company (K) Limited, Eldoret Town, has continued to deteriorate over the years as indicated in the Company's Rail Sales Report for 2020. This has also continued to cause disquiet and unanswered questions among the employees and other stakeholders. For instance, the company's employees are being poached by its competitors, while other are seeking greener pastures in other institutions. Nationwide, many Bata Shoe Company (K) Limited stores and franchisee outlets have closed down, and those stores that are afloat, continue to struggle to achieve their set targets. According to an internal survey conducted by the company in 2021, between 2016 and 2019; Eldoret had 14 stores, and 6 of them have since closed down, compared to 2 stores in Kisumu, 1 store in Nakuru, Kakamega and Kisii; respectively, closed down, (Bata Shoe Company (K) Limited, Eldoret Town, 2020).

In order for the company to meet growing demand for effective performance, quality work force and gain competitive advantage; there is need to attract and retain talented employees through employee development. The company must invest in employee development if it must improve the quality of services delivered to the customers. As indicated in past studies, employee development can contribute to employee performance, quality service delivery and training feedback (Makafai, 2014). These studies have shown that staff development through training can affect the general productivity of an organization. Although there are several reach studies that have focused on the effectiveness of performance appraisal system on employee motivation in banks, hospitals, public institutions, none of them were at Bata Shoe Company (K) Limited.

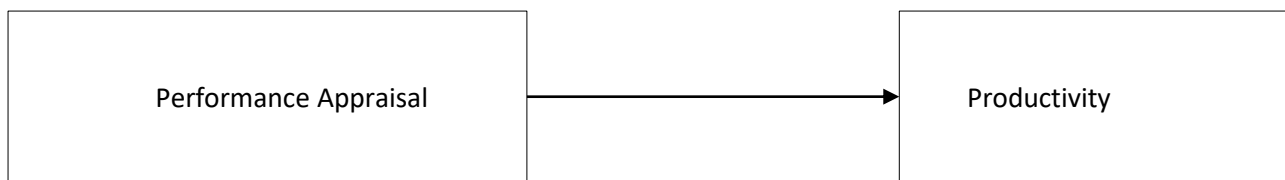
### Study Objective

The study's general objective was to establish the effect of performance appraisal on the organization performance at Bata Shoe Company (K) Limited, Eldoret Town. The study looked at the performance appraisal as a tool used in staff performance evaluation and its feedback in terms of the general company productivity. The study was guided by the following research hypothesis;

- **H<sub>0</sub>:** There's no significant relationship between performance appraisals on performance in Bata Shoe Company (K) Limited, Eldoret Town.

### Conceptual Framework

Performance appraisal is an independent variable and organizational competitiveness is the dependent variable. Performance appraisal is expected to affect organizational performance by increasing productivity, quality of work and effectiveness. Incentive plans by organizations to pay their employees for exemplary performance effect organizational competitiveness, eventually.



**Independent Variable**

**Dependent Variable**

**Figure 1: Conceptual Framework**

**Source:** Adapted from Oguwa (2011)

### LITERATURE REVIEW

The literature review looked at the topics the general topics of staff evaluation which entails performance appraisal and overall organizational performance.

### Theoretical Review

The theoretical literature review looked at the social learning theory in relation to the research objective as well as to identify the existing research gaps in order to affirm or negate the research hypothesis.

### Agency Theory

Agency Theory is a principle that is used to explain and resolve issues in the relationship between business principals and their agents. It posits that actors are motivated mainly or only by economic self-interest. It therefore explores how firms can ensure an alignment of interests between the principal (owners) and agents (employees). It is assumed that people are motivated by self-interest, mainly or exclusively in the form of economic calculations that over-ride such issues as trust, loyalty, and friendship networks (Evans et al., 2017). Therefore, close surveillance is required to eliminate the risk of shirking and other deviant behaviours.

Economists have long used agency theory to promote a particular understanding of the relationship between performance measurement systems and the provision of incentives (Evans et al., 2017, pp. 114). Managers often use performance appraisal as tool to determine who among the employees are good performers to be

rewarded through such as retention, promotion, salary increment, training, among others (Makafai, 2014, pp. 135). This motivates those employees whose performance fall below the set standards, to try to work harder in future. New talents can be attracted to the organization if they have a good image. Customers can remain loyal to the organization if they get good service.

It is therefore, important for employers to constantly monitor employees in their day to day activities so that the leaders can determine whether employees' performance is growing or is going down. Employees should be deterred from deviating from the model behavior. Employers should however understand well and encourage them to imitate their leadership skills for the organization to grow.

In such instances the architects of corporate misfortune turn out to be owners rather than managers. Despite such shortcomings the theory has continued to acquire traction and, as we argue in this paper, become an ideological template for management-staff relationships within organizations (Evans et al., 2017, pp.16). Consistent with this, there have been calls for agency theory to be extended beyond the economics perspective and to encompass.

Companies should pay well, give allowances, fringe benefits and intrinsic motivation like recognition, appreciation, acceptance by fellow workers and seniors must offer opportunities for promotion, career development and consultation for important matters. Morale increases productivity indirectly by reducing absenteeism, accidents, employee

turnover, conflicts and grievances. Workforce can never develop in an organization where there is low morale and lack of motivation.

### **Empirical Literature**

This section tackles the existing literature by past researchers on the effects of performance appraisal management on organizations performance.

### **Performance Appraisal**

Performance Appraisal is defined as “annual review, performance review or evaluation. Employee skills, achievements, growth or lack of is evaluated” (Kum et al., 2014). It is an ongoing process for the employee development during the whole year that determines the weak area and strength of employees and enables an employer to initiate employee development through promotion, or change of duties recommended where necessary. In many companies, “performance appraisals are used as a tool to determine which employees have contributed the most to the company’s growth, review progress and to reward high-achieving workers” (Muiruri, 2019). From management perspective, performance appraisal is a tool that is used to “evaluate the present performance and future capabilities of the employees” (Anlesinya et al., 2014). Those employees that show exemplary performance, often, are appreciated through group or personal incentives like cash bonuses, salary increment, promotion and other rewards. T.

Many companies use performance appraisal as the basis for reward allocation like his leads to development and motivation of employees. Companies also use performance appraisal to pinpoint and identify deficiencies in employees which may assist employees to improve to a good extent. This means that it can be used for staff selection and development programmes. However, Anlesinya et al., (2014) point out that, “when used to differentiate satisfactory performers from unsatisfactory ones, performance appraisal assists management in selection, development, salary, promotion, penalties, lay off and retrenchment” (pp. 9).

Ojokuku (2013) studied on “effect of performance appraisal system on motivation and performance of academics in Nigerian public universities”. The study examined the impact of performance appraisal on the motivation and performance of academics in Nigerian universities. The findings showed that the university academics see their performance appraisal system as not being accurate and fair enough because it does not capture adequately all the job components that make up their performance during the review period. The performance appraisal system was also found to exert strong influence on the academic motivation and overall performance. The recommendation was that performance appraisal system for academics should be reviewed by University management such that all the components of their job are captured evaluated and adequately rewarded. This is to impact positively on the motivation and overall performance of the academics.

Steven (1994) studied “performance appraisal evaluating employee performance in America’s largest companies (Steve, 1994, pp. 103). According to Steve (1994), despite recent interest in participatory management and other employee involvement schemes there appears to be little input into performance appraisal based approaches for their executives and managers. Hence the decisions regarding the strategic nature of performance appraisals are made at the corporate level in over 2/3 of the large companies. However, it is noteworthy here that; academic research on the subject tends to ignore these very real drawbacks in the use of performance appraisals.

Ayomikun (2017) studied the “effectiveness of performance appraisal system and its effect on employee motivation” (pp. 71). The use of performance appraisal has been extended beyond the rating of the employee’s performance to aspects such as motivation. This study investigated the effectiveness of performance appraisal system and its effect on employee motivation. The study findings showed that, there were significant positive outcomes on employee motivation. The

study also found out the use of more than one appraisal techniques helps yield greater satisfaction and consequently higher motivational levels.

Research study conducted by Ojokuku (2013) aimed at finding out the effect of performance appraisal system on motivation and performance of academics in Nigerian Public Universities. The current research study focuses much on the relationship between performance appraisal and organization performance, unlike the previous research, which focused on the effect of appraisal system on motivation and performance. The study did the research in public universities. The current research study was conducted at a small private company, in a private company, Bata Shoe Company Kenya Limited.

Steven (1994) study focused on performance appraisal on employee performance appraisal on employee performance in America's largest company. The current study focuses on employee development on organization performance. The study was conducted in America's companies. The current research was conducted in a local company, Bata Shoe Company, Kenya Limited.

The previous research studies that have been highlighted above; are similar to the current study since they focused on the effect of performance appraisal and organization performance. However, they failed in a number of ways to portray the relationship between performance appraisal and organizational performance. For instance, Thomas (1994) study which focused on performance appraisal in America largest companies was concerned about fairness and the absence of any positive rewards for negative appraisals greatly reduce their value as a management tool.

Therefore, from the above information, it evident that none of the studies looked at the relationship between performance appraisal and organizational performance based on productivity. The recent academic research on the subject tends to ignore this very real drawback on the use of performance appraisals. What remains unknown is whether

performance appraisal can improve organization performance or if there are other underlying factors. Therefore, the current research study intends to establish any variables not tackled by previous researchers that affect organizational performance.

### **Productivity**

The route to economic success is investment in skills, training and technology to enhance labor productivity (Khan et al., 2017). Productivity describes the performance of individual workers, department, or even an entire industry. Productivity means an economic measure of output per unit of input. Output refers to total production in terms of units or in terms of revenues. Input refers to all the factors of production used like capital, labor, and equipment. Productivity  $(p) = \text{output} / \text{input} (o)/(i)$ . Output refers to total production, while input refers to land, capital, and management. Productivity measures the efficiency of the production. A lower productivity indicates wastage of resources time.

### **Organizational Performance**

Organizations should emphasize on performance appraisal and employee development in order to attract potential employees as a highly motivated workforce is an essential asset for any organisation that endeavours to be productive and remain competitive in a rapidly changing business world of today (Cherono, 2017). There are various ways employees can be motivated and develop positive attitude towards work. That is why employee development is conceived as "a lever for career development succession planning, performance management and talent management" (Kobia & Kinyua, 2018). Employee development has a direct impact on organization performance, and it measures the output of employees versus input.

One key role that employee development plays is that "it gauges organizations on payment, performance appraisals, employee motivation, satisfaction, compensation, job security, organizational structure" (Kum et al., 2014). Therefore, to stay sharp and relevant; tech professionals must constantly grow their skill set.

This adds more value to the work they do and directly benefits the organization. It is important for organizations to make “learning and development a focus of the organization to help improve employee engagement, increase retention and attract elite candidates” (Ayomikun, 2017). Lack of employee development causes high labour turnover. Training and development boosts productivity and profitability.

The current research study focuses much on employee development on organization performance unlike the previous research which focused on effect of appraisal system on motivation and performance. The study did the research in public universities. The current research study would earnestly focus on employee development on organization performance on organization performance in a private company (Bata Shoe Company (K) Limited, Eldoret Town).

#### METHODOLOGY

The study employed quantitative and qualitative analysis. The study used questionnaire and

interview method to acquire pertinent information from respondents. The quantitative and qualitative data that were obtained from respondents through observations and structured questionnaires were organized systematically into various themes for analysis and presentation. Regression analysis was employed in data analysis using the model bellow:

#### Model Specification

$$Y=B_0+B_1X_1+E$$

Y = Organization performance

X1 = Appraisal management

B0 = Y intercept in the equation

B 1 = Measure of effect of appraisal management on organization performance

E=Error term

**Source:** Adapted from Fairchild and Mackinnon (2009).

#### RESULTS AND DISCUSSION

Performance appraisal was measured using frequency counts, percentages, means and standard deviation as indicated Table 1, below:

**Table 1: Performance Appraisal at Bata Shoe Company (K) Limited, Eldoret Town**

Performance Appraisal	U 1	D 2	PA 3	A 4	SA 5	M	SD
Performance appraisal is practiced in Bata shoe company Kenya organization	2(2.5)		6(7.4)	32(39.5)	41(50.6)	4.36	0.83
Bata employees have benefited from performance appraisal.	2(2.5)	2(2.5)	6(7.4)	44(54.3)	27(33.3)	4.14	0.85
Performance appraisal is administered to all departments and all levels of employees.	4(4.9)	4(4.9)	6(7.4)	40(49.4)	27(33.3)	4.01	1.03
Performance appraisal assist the company identifies growth and decline in productivity.	2(2.5)	5(6.2)	4(4.9)	52(64.2)	18(22.2)	3.98	0.87
Feedback is shared to employees after performance appraisal.	6(7.4)	4(4.9)	36(44.4)	26(32.1)	9(11.1)	3.35	1.0

**Source:** Field Data

From the findings, majority, that is 41(50.6%) of the respondents strongly agreed that performance appraisal was practiced at Bata Shoe Company (K) Limited, Eldoret Town, and were supported by 32(39.5%) who agreed on the same. The rating was also high (M=4.36, SD=.83) implying that

performance appraisal was practiced in the company. Apart from carrying out performance appraisal, majority of the respondents 44 (54.3%) agreed and 27(33.3%) strongly agreed that the company’s employees have benefited from performance appraisal, with a high mean (M=4.14,

SD=.85) implying that it was beneficial to them. It further emerged from the majority of the respondents, 40 (49.4%) who agreed and 27 (33.3%) who strongly agreed that performance appraisal was administered to all departments and all levels of employees, which had a high rating (M=4.01, SD=1.03), although with high variance in the response from the mean.

The findings from the majority, 52 (64.2%) of the respondents who agreed and 18(22.2%) who strongly agreed revealed that performance appraisal assisted the company to identify the growth or decline in productivity, which was affirmed by a high mean (M=3.98, SD=.87). Finally, majority of the respondents, 36 (44.4%) remained neutral on whether feedback was shared to employees after performance appraisal, although

the high mean (M=3.35, SD=1.0) indicated a slightly high approval over the finding. It is also clear that the standard deviations were low, at least less than one for majority of the items, implying that respondents agreed on the mean. From these findings, it can be concluded that Bata Shoe Company (K) Limited, Eldoret Town carried out performance appraisal on its employees to significant extent.

In order to establish the relationship between performance appraisal and performance of Bata Shoe Company (K) Limited, Eldoret Town, average scores for both scales, that was performance appraisal and organizational performance were computed. Using Pearson product moment correlation, the scores were correlated and the results presented as shown in Table 2 below:

**Table 2: Correlation between Performance Appraisal and performance on Bata Shoe Company (K) Limited, Eldoret Town**

		Performance Appraisal	Mean Performance
performance appraisal	Pearson Correlation	1	.455**
	Sig. (2-tailed)		.000
	N	81	81
mean performance	Pearson Correlation	.455**	1
	Sig. (2-tailed)	.000	
	N	81	81

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: Field Data

From the findings, it is clear that there was a moderate positive and significant correlation between performance appraisal and organizational performance of Bata Shoe Company (K) Limited, Eldoret Town, (r=.455, p<.05). This implies that the company's performance is associated with performance appraisal of its employees. Hence it can be concluded that improvement in performance appraisal is likely to lead to a positive improvement in organizational performance. Further insight from the results were also obtained by squaring the correlation coefficient value (r=.455) to yield an r square value of 0.2070, which when multiplied by 100% yields 20.7 percent. This value implies that

performance appraisal is likely to account for 20.7% variance in company performance. Hence it can be concluded that performance appraisal is important to company performance of Bata Shoe Company (K) Limited, Eldoret Town.

Further analysis measured the effect of performance appraisal on organizational performance and was done using simple linear regression model and the results compared with the multiple standard regression model results presented in Table 3. The findings on simple linear regression model are presented as shown in Table 3 below:



**Table 3: Simple Linear Regression Model on Effect of Performance Appraisal on Organizational Performance**

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.455 <sup>a</sup>	.207	.197	.34890	.207	20.585	1	79	.000

a. Predictors: (Constant), performance appraisal

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.472	.222		11.157	.000
	performance appraisal	.250	.055	.455	4.537	.000

a. Dependent Variable: mean performance

Source: Field Data

From the findings, it was confirmed that performance appraisal accounted for 20.7% variance in organizational performance. These findings indicate that relationship between performance appraisal and organization performance is significant, due to availed sufficient evidence,  $F(1,79) = 20.585, p < .05$ . This validate the null hypothesis: **H<sub>0</sub>**: “There is a significant relationship between performance appraisals on performance at Bata Shoe Company (K) Limited, Eldoret Town”.

In response, the study established a positive relationship ( $R = .455$ ) as well as a positive effect of performance appraisal on organizational performance ( $\beta = .455, p < .05$ ). In comparison to the standard multiple regression model coefficients results ( $\beta = .238, p < .05$ ). Simple linear regression coefficients show slightly stronger coefficients. These findings share similarities with assertions from previous studies which notes that performance appraisal determines “the weak area and strength of employee which enables employee development initiated and promotion, demotion, change of duties recommended where necessary” (Kum et al., 2014; Susan, 2017). This means that an improvement in performance appraisal positively improves the performance of Bata Shoe Company

(K) Limited, Eldoret Town. It is also clear that the standard deviations were low, at least less than one for majority of the items, implying that respondents agreed on the mean. Therefore, we reject the null hypothesis and adopt an alternative hypothesis which indicates that performance appraisal has a positive effect on performance and hence they are positively related.

From the findings, respondents strongly agreed that performance appraisal is practiced in Bata Shoe Company (K) Limited, Eldoret Town. Majority of the respondents affirmed to have benefitted from performance appraisal. It assists the company identify growth and decline in productivity. This is contrary to Ojokuku, (2013) who studied effect of performance appraisal system on motivation and performance of academics in Nigerian public universities. The findings revealed that performance appraisal system was not accurate and fair enough, hence unable to capture all the job components adequately during the review period. However, the study agrees with the findings by Ayomikun, (2017) study on the effectiveness of performance appraisal system which revealed a positive outcome on employee motivation and yielded greater employee satisfaction and improved productivity.

## CONCLUSIONS AND RECOMMENDATIONS

From the study's objective, the Null Hypothesis read: "There's no significant relationship between performance appraisals on performance in Bata Shoe Company (K) Limited, Eldoret Town". According to previous studies, it was found out that, "performance appraisal improves the enhancement of employees towards their own performance" (Avinanye, 2015). The present study also revealed that performance appraisal positively improves the organizational performance. Based on the findings, it can be concluded that performance appraisal has a positive influence of performance of Bata Shoe

Company (K) Limited, Eldoret Town and that it accounts for a significant improvement on the company's general performance and productivity.

The study findings indicated that performance appraisals among employees have great effect on organization performance. The study recommended that employees should be evaluated annually to establish their productivity level to the organization. This would enable organizations to carry out regular reviews on salary, promotion to well performing employees and recommend training to the weaker or low performing employees.

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