

# PERFORMANCE MANAGEMENT PHILOSOPHY ON DEVELOPMENT AND REWARD-DRIVEN IN SELECTED OIL COMPANIES OPERATING IN NIGERIA.

BY

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## ***ABSTRACT***

*The study investigated the performance management philosophy on development-and reward-driven in selected oil companies operating in Nigeria. The population of this study consisted of 15,002 casual, contract and permanent employees. The study adopted a survey design. Data was collected via oral interview and structured questionnaire as well as textbooks, journals, magazines and unpublished articles, research and project reports in a related field. Manuals containing policy statements of the selected companies was analyzed using appropriate statistical technique such as descriptive statistics and Pearson product moment correlation analysis, while all the hypotheses were tested at 0.025 alpha level. The questionnaire was designed by the researcher, vetted by the thesis Supervisor and validated by experts in Test, Measurement and Evaluation of the Department of Education, Faculty of Education, University of Uyo, Uyo before the reliability study was conducted with the use of forty (40) respondents who did not form part of the main study. The instrument was subjected to reliability test using Crombach Alpha Technique. The test produced the reliability co-efficient ranging from 0.73 to 0.96 and this proved that the research instrument is reliable for the study. From the results of the data analysis, it was observed that the degree to which performance management philosophy in the selected oil companies operating in Nigeria is both developmental and reward driven and is remarkably high. It was concluded that the application of performance management philosophy in the selected oil companies operating in Nigeria is one of the determinants of the development and reward of the employees in the sector. The recommendation was that employees should be made to appreciate the philosophy of performance management by making sure that it is both development and reward-driven in nature.*

**KEYWORDS:** Application, Performance Management Philosophy, Selected Oil Companies Operating in Nigeria, Developmental-And Reward-Driven.

## **INTRODUCTION**

Performance management is a primary tool in corporate communication and employee engagement as well as delivery of the desired corporate culture. It is about aligned and integrated effort, recognizing the importance of everyone and everyone's responsibility and accountability for performance. Performance management is about developing individuals to maximize their

performance capabilities, and recognizing the differences in individual capabilities. Performance management measures performance objectively with equal concern for input (knowledge, skills, expertise and competence) and output (results and contributions). It is embedded in the inverted hierarchy, employees deliver output, quality and customer satisfaction, managers provide strategy and structure. It is the manager's role to support the employee and not the other way around. Managers can only be successful if their reports are successful. It is their job to remove any barriers to performance. Performance management does not rely on elaborate forms and systems. The less the administrative burden on all concerned the better the process.

Performance management is more concerned with the nature and value of the process for the manager and the employee than it is in the content of the performance management documentation and system. Performance management demands training for all involved, particularly in the areas of goal setting, coaching and feedback. Performance management is concerned with standards and equality of practice and will always have a quality assurance process. Performance appraisal system emerged in the late 1970s and into the 1980s. They were a mix of the merit system and management by objectives. They were more often than not the property of the Personnel Department and were imposed bureaucratic systems. They tended to operate top down and were focused on the annual appraisal meeting which was retrospective in its approach. They quickly became perceived as the trigger for reward and hence the emergence of the concept of pay-related-reward or performance-pay. The word appraisal itself undermines the process as it conjures images of something that is done to individuals, with neither the manager nor subordinate comfortable with the notion of one person telling another person what they think about them. Performance management demands training for all involved, particularly in the areas of goal setting, coaching and feedback.

### **Statement of the Problem**

It has been observed that employees in the oil industry are not being rewarded according to their level of work performance. Other elements of genuine grievances include nepotism, undue favouritism, unwarranted sympathy and unprecedented indulgence amongst others. Intractably paramount in their discussions is lack of a productivity enhancement tool in the industry. The ultimate, according to the employees' perception, is that people would work so hard without the commensurate compensation in terms of promotion, pay rise, praise, promise, recognition or reward of any kind. Hence, this study seeks to assess the degree to which the application of performance management philosophy in the selected oil companies operating in Nigeria is both developmental-and reward-driven.

### **Purpose of the Study**

The purpose of this study is to ascertain the degree to which the application of performance management philosophy in the selected oil companies operating in Nigeria is both developmental-and reward-driven.

### **Research Question**

An attempt shall be made to provide an answer to the following question:

- I. To what extent is the application of performance management philosophy in the selected oil companies operating in Nigeria both developmental-and reward-driven?

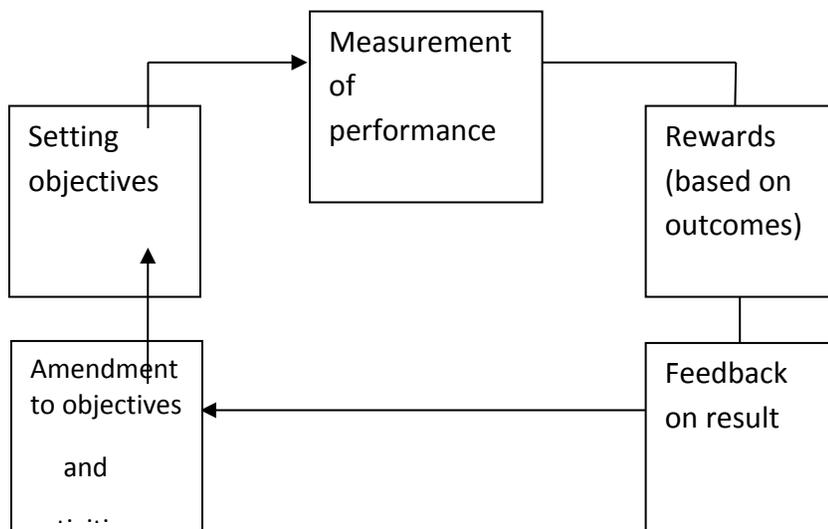
**Research Hypothesis**

1. The application of performance management philosophy in the selected oil companies operating in Nigeria is at a significant level both developmental-and reward-driven.

**Literature Review**

**Models of Performance Management System**

The increasing complexity of the business world has led to the emergence of new and comprehensive concept in all the fields of management. Performance management is one such concept in the field of human resource management. Aguinis (2009) insists that performance management is a continuous process of identifying, measuring and developing the performance of individuals, teams and aligning performance with the strategic goals of the organization. Performance management is many times mistaken as performance appraisal but the latter is just a part of the former, observes Philip (2010). There is no single universally accepted model of performance management. Various experts have explained the concept in their own ways. Mabey and others (1999) prescribe the model of performance management system in the form of performance management cycle. This cycle has 5 elements which suggest how performance management system (PMS) should be implemented in an organization. The element of PMS cycle include setting objectives, measuring the performance, feedback on performance result, reward system based on performance outcomes and amendment of objectives and activities.



**Figure 2.1: The Performance Measurement Cycle**

Source: C. Maybe; G. Salaman and J. Storey (1999), *Human Resources Management: A Strategy Introduction*, Oxford: Blackwell Publishers Limited p.86.

Performance management is the systematic process by which an agency involves its employees, as individuals and members of a group, in improving organizational effectiveness in the accomplishment of agency's mission and goals. Employees performance management include: planning the work and setting expectations, continually monitoring performance, developing the capacity to perform, periodically rating performance in a summary fashion and rewarding good performance. Corner (2000) regrets that where performance management is not practiced, the effectiveness and productivity of the organization is essentially reduced.

Performance management means *making continuous progress and positively impacting the key indicators of your organization*. Let's break that down into bite size chunks. *Continuous* progress means that there is a constant movement not sporadic progress. *Positively impacting* indicates that the *continuous* progress is seeing the desired results anticipated. Finally, key indicators are the measures that tell you definitively if you are moving towards your vision and maintaining the health of the organization as Deeprose (1994) affirms. Key indicators include revenue, profitability, overhead or cost of goods sold, rate of attracting new customers, customers' retention, employee performance, etcetera. So then, performance management focus is on *achieving the vision* for the organization as a whole. It includes being sure that major projects are completed on time and on budget, that internal systems are performing smoothly, without waste and that employees are carrying out their responsibilities effectively.

Cokins and Wiley (2009) point out the revisions made in 1995 to the Nigerian Government Public Service performance appraisal and awards regulation. Great care was taken to ensure that the requirements those regulations established would complement and not conflict with the kinds of activities and actions practiced in effective organizations as a matter of course. In an effective organization, work is planned out in advance. Planning means setting performance expectations and goals for groups and individuals to channel their efforts to achieve organizational objectives. Getting employees involved in the planning process will help them understand the goals of the organization, what needs to be done, why it needs to be done and how well it should be done.

Performance management includes activities that ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on the performance of an organization, a department, employee or even the processes to build a product or service. Dale and Karolyn (2002) submit that performance management philosophy is very expedient in organizational growth and development. Henemen and Courtney (2005) insist that performance gaps are identified during the employee performance management process. Ideally, performance gaps are addressed by performance improvement plans. Performance improvement plans are sometimes a last-ditch effort at helping a person to improve his/her performance. Ideally, the performance problem is addressed through ongoing feedback and adjustments during regular one-on-one meetings. In these plans, goals are established to improve performance and may include for example, increased effort on the part of the employee, support from his/her supervisor and certain training and resources to assist the person in his/her development.

Dedicated employees can greatly appreciate having specific performance goals for them to achieve in order to keep their jobs, verify their competence to their supervisor and accomplish

their overall professional development. These gaps are identified during career planning. Employees perceive certain areas of knowledge and skills that they would like to accomplish in order to qualify for certain future roles and positions. Employees often appreciate having clear-cut goals that mark what they need to do to advance in their careers and opportunity gaps are identified when a sudden opportunity arises for the employee. If the person is highly interested in taking advantage of the opportunity, then he or she will appreciate knowing exactly what goals must be achieved to take advantages of the opportunity.

## **The Philosophy of Performance Management**

Egna (2005) proposes that most employees want direction, freedom to get their work done and encouragement but certainly not control. The performance management philosophy should be a control system only by exception. The solution is to make it a collaborative development system in two ways. First, the entire performance management process of coaching, counseling, feedback tracking, recognition and so forth should encourage development. Then, ideally team members ask what they need to be able to do in a bigger better way. Again, for the purpose of achieving the desired goal, there should be no disagreement from employees when they are told what they are expected to do and how they are expected to behave in order to achieve the goals of performance management in the Nigerian oil industry. The philosophy of performance management involves planning, monitoring, developing, rating and rewarding employees according to Smith (2008).

### **1. Planning Your Business Workload**

Planning is just what it sounds like: planning out only what tasks need to get done, as well as the ways in which this should happen. Involving them, they feel more a part of the process and less like monkeys who are trained to jump on commands. In other words, involving employees in the planning process as Smith (2008) puts it would improve and also help to make sure that there aren't gaps in communication to keep the plans from coming to fruition. After the planning stage, all employees should have a clear idea of what is expected from them.

### **2. Monitoring Business and Individual Performance**

Monitoring is also self-explanatory. Monitoring involves the monitoring of employees by their managers to make sure their tasks are getting done efficiently and takes into consideration how well the employees are able to function. Monitoring ensures that unrealistic expectations aren't set by management or the employees and keeps track of only what is being accomplished.

### **3. Individual and Team Performance Development**

Developing refers to keeping employees evolving to meet the ever increasing standards of a post millennial workplace. It could involve teaching new skills and implementing new procedures to make the processes more accessing.

#### **4. Rating Individual Performance**

Rating is the way by which employee's performance is evaluated. It is imperative that employees are given a "report card" on a regular basis. Rating can address areas in which the employee needs to grow as well as the areas in which they excel. It provides a clear map to where the employee stands at that date and time, and it is also important to make sure the employee keeps up a good development rate within the business.

#### **5. Rewarding Great Performance**

Rewarding the employees is perhaps the most important part of performance management. A happy employee is a productive employee and rewarding an employee whose work is exceptional is a key factor in making sure that their level of work doesn't deteriorate.

Everybody likes to make sure that they are appreciated. Studies have shown that employees who are rewarded for a job well done are far more motivated to keep performing at a high level than those who are berated or "punished" for being less than satisfactory. Smith (2008:24) observes performance management as a method by which a business owner can ensure that his or her business is constantly growing and achieving at the level they desire. It's an easy system to put in place as well as the most effective system in making sure that business goals are achieved.

### **Research Methodology**

#### **Research Design**

Descriptive survey design will be used for the study. This approach was considered most appropriate because it helped the researcher to describe, examine, record, analyze and interpret the variables that were found in the study.

#### **Population of the Study**

The population of the study will consist of 15,002 casual, contract and permanent employees.

#### **Sampling and Sampling Technique**

The respondent for the study will consist of 1446 employees in selected oil companies. These will be obtained through the stratified random sampling technique.

#### **Validation of the Instrument**

The instrument was face and content validated by the researcher's supervisor. One expert from test, measurement and evaluation also helped in validating the instrument.

#### **Reliability of the Instrument**

Test retest reliability test was conducted using twenty (40) respondents. These respondents were not part of the sample used for the main study. The scores of the twenty respondents were subjected to Cronbach's Alpha technique to determine the reliability coefficient of the instrument.

#### **Method of Data analysis**

The researcher subjected the data generated for this study to appropriate statistical techniques such as descriptive statistics and Pearson product moment correlation analysis. Test of significance was at 0.025 alpha level.

## **Data Analysis and Results**

### **Research Question One**

The research question sought to find out if the degree to which performance management philosophy in the selected oil companies operating in Nigeria is at a significant level both development and reward-driven. In order to answer the research question, descriptive analysis was performed on the data collected (see table 1)

**Table 1:****Descriptive analysis of the relationship between performance management and the development/reward of the employees in the selected oil companies operating in Nigeria**

Variable	N	Arithmetic mean	Expected mean	R	Remarks
Performance management	1446	16.04	12.50	0.86*	*Strong to perfect Relationship
Development/reward of the employees		5.59	5.00		

**Source: Field Survey**

Table 1 presents the descriptive analysis of the relationship between performance management and the development/reward of the workers in the selected oil companies operating in Nigeria. The two variables were observed to have strong to perfect relationship at 86%. The arithmetic mean for performance management (16.04) was also observed to be higher than the expected mean score of 12.50. In addition to that, the arithmetic mean for development/reward of the employees (5.59) was observed to be higher than the expected mean score of 5.00. The result therefore means that the degree to which performance management philosophy in the selected oil companies operating in Nigeria is both development and reward driven is remarkably high.

### Hypothesis Testing

#### Hypothesis one

The null hypothesis states that the application of performance management philosophy in the selected oil companies operating in Nigeria is at a significant level neither development nor reward-driven. In order to test the hypothesis, two variables were identified as follows:-

1. Performance Management as the independent variable
2. Development/reward-driven as the dependent variable

Pearson Product Moment Correlation analysis was then used to analyze the data in order to determine the relationship between the two variables (see table 2)

**Table 2:**

**Pearson Product Moment Correlation Analysis of the Relationship between the application of performance management philosophy in the selected oil companies operating in Nigeria and the development/reward of the employees.**

Variable	$\sum x$	$\sum x^2$	$\sum xy$	r
	$\sum y$	$\sum y^2$		
Performance management (x)	23191	377071		
			131681	0.86*
Development/reward of the employees (y)	8090	46238		

**\*Significant at 0.025 level; df =1444; N =1446; critical r-value = 0.086**

Table 2 presents the obtained r-value as (0.86). This value was tested for significance by comparing it with the critical r-value (0.086) at 0.025 level with 1444 degree of freedom. The obtained r-value (0.86) was greater than the critical r-value (0.086). Hence, the result was significant. The result therefore means that, there is significant relationship between the application of performance management philosophy and the development/reward of the employees in the selected oil companies operating in Nigeria.

### Discussion of Findings

The result of the data analysis in table 2 is significant due to the fact that the obtained r-value (0.86) is greater than the critical r-value (0.086) at 0.025 level with 1444 degree of freedom. This implies that, there is a significant relationship between performance management philosophy and development/reward of the employees in the selected oil companies operating in Nigeria. Also, Charco (2001) investigated the relationship between performance management philosophy and development/reward for the employees of selected private companies in India. The study used a survey design with a sample size of 340 respondents after using 40 respondents for a pilot study for a test of reliability of the instrument and came out with a result showing that, there was a relationship between performance management philosophy and development/reward of employees. Therefore, the significance of this result is in agreement with Charco's findings which caused the null hypothesis to be rejected while the alternative one is accepted.

### Conclusions

Based on the findings of the research work, it was concluded that there is significant relationship between performance management philosophy and development/reward of the employees in the selected oil companies operating in Nigeria. The application of performance management philosophy in the selected oil companies operating in Nigeria is one of the determinants of the development and reward of the employees in the sector.

## **Recommendations**

Based on the findings of the research, the following recommendations are deemed necessary:

1. Employees should be made to appreciate the philosophy of performance management by making sure that it is both developmental and reward-driven in nature.
2. Performance management should be practiced by all levels of management in order to quickly fast track and meet up with the objectives of the organization.

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