

An Empirical Investigation into the Performance Management Practices of Selected Manufacturing Firms in Southern Nigeria

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Abstract

This paper seeks to assess whether current performance management practices yield effective results and compare performance management practices in Nigerian firms to best practices. Data were collected from nine hundred and ninety three (993) manufacturing firms in Nigeria. The Yamane's statistical formula was employed for sample size determination. 285 copies of questionnaire were distributed to various managing directors of these firms who were strategically placed to provide data for a proper evaluation of performance management practices of the sampled organizations. Using frequency tables, Chi-square (X) statistic and Z-test one sample Kolmogorov-Smirnov test, the study reveals that current performance management practices in Nigeria delivers effective results, but did not conform to best practices. Based on the findings, the paper submits that leaders and top management of these manufacturing firms should continue to apply performance management strategies including training and development programmes in a positive manner in order to enhance productivity amongst employees.

Keywords: Empirical Investigation, Performance Management, Manufacturing Firms.

1.0 Introduction

1.1 Background of the Study

Organizations are defined as collections of people joining together in some formal association in order to achieve group or individual objectives. At least one set of objectives, for any organization will relate to the production and output of specified goods and services to individuals, groups and other organizations (Dawson, 1992: xviii). Individuals are engaged by organizations with the hope that they will contribute to fill the felt needs of the society. There is therefore the need for an established mechanism for ascertaining whether the organization and individuals are doing well in their own part of the bargain. A change in perception from employment to performance has been recorded (Torrington et al 2005: 224). Concern for performance is emphasized because both parties have a stake in performance thus calling for the need to develop integrated schemes.

Ewum (2006:1) states that performance occupies a strategic place in the organizational scheme of things, insisting that both sides of the internal and external environment have a stake in performance for obvious reasons. Effective performance management benefits the individual, organization and the economy through increased efficiency, effectiveness and productive aggregates in terms of quality goods and services (Mullins, 2010).

Poor quality performance at organizational, social, economic, individual and governmental levels has been the bane of the Nigeria nation. Manufacturing firms are not performing optimally in Nigeria thereby prompting Ifedi (1994:12) to observe: that there is little doubt that manufacturers in this country have since been endangered.

1.2 Statement of the Problem

The manufacturing sector in the Southern Nigeria has been in turmoil. The environment for manufacturing operations has remained turbulent and dynamic because of high operating costs, epileptic power supply, inadequate backward linkages and lack of exposure to best management practices just to mention a few. This development is even accentuated by underfunding of the Bank of Industry (BOI) which originally gave loans to the sector. The greatest headache of the sector is electric power supply which was down by 90 percent in 2009 (The Guardian 2009). Also exchange rate fluctuations and unpredictability contribute to make importation of needed inputs difficult to achieve and sustain operational capacity. Even the manufacturing firms seem not to help matters. There are issues of measuring performance of these firms using defined criteria and that of the employees. Lack of a single universally acceptable performance appraisal applied by these firms is a problem itself.

1.3 Objectives of the Study

The objectives which this paper seeks to investigate are as follows:

- i. To ascertain whether current performance management practices in Southern Nigerian Manufacturing Firms yield effective result
- ii. To assess the performance management practices in these firms against best practices.

1.4 Research Questions

From the foregoing, the following research questions could be discerned.

- i. To what extent do current performance management practices in Nigerian manufacturing firms yield effective results?
- ii. To what extent do performance management practices in Nigeria manufacturing firms conform to best practices in organization in Southern Nigeria?

1.5 Statistical Hypotheses

In view of the above research questions, the following hypotheses were formulated to guide the study:

- i. Current performance management practices in Nigeria manufacturing firms deliver effective results.
- ii. Performance management practices in Nigeria manufacturing firms conform to best practices.

2.0 Theoretical Underpinning and Review of Related Literature

The process of management involves making a continuous judgment on the skills, behaviours, activities and contributions of staff. It is imperative that members of the organization know exactly what is expected of them and how their performance will be measured. Mullins (2010:510) states that performance management is a process which brings together many aspects of people management. It is about performance improvement at individual, team, department and organizational levels. It is also about staff development as a means to both improve and enhance performance, and as a means of managing behaviour and attitudes. From the foregoing it follows that if there are good working relationship individuals and teams are more likely to perform well together than if no good relationships prevail. Fowler (1990) reacts that performance management is about managing the organization. It is a natural process of management, not a system or a technique. Performance management is about managing within the context of the business (its internal and external environment). Contributing, Lawson (1995) opines that performance management is basically concerned with performance improvement in order to achieve organizational team and individual effectiveness. Organizations according to him have "to get the right things done successfully". It is equally important to state that performance management is concerned with employee development. This is because improvement is not achieved unless there are effective processes of continuous development. This analogy addresses the core competences of the organization and the capabilities of the individuals and teams. Performance management should really be called performance and development management (Armstrong, 2005). The Chartered Institute of Personnel Developments (C.I.P.D, 2008) suggests that performance management is about establishing a culture in which individuals and groups take responsibility for the continuous improvement of business process and their own skills, behaviours and contributions. From the above definitions it is note worthy to underpin that performance management concerns everyone in the organization not just managers. This study rejects the cultural assumptions that only managers are accountable for the performance of their teams and replaces it with the belief that responsibility is shared between managers and team members.

Current Issues of Performance Management in Organizations

Most of current issues of performance management in organizations have been driven by developments in the industrially advanced countries (Olaye 2005:1). Recently, performance management practices survey has taken the front burner in the advanced economies of the world. Nnabuko (2007:2) believes that performance relates to how well a product performs or

how well a service is provided.

According to Adeleye and Yusuf (2006:94) competitive pressures differ across companies and they influence the relative emphasis that companies place on competitive objectives such as cost, quality, speed and flexibility. Nevertheless, the pursuit of goals of best practice demands excellence in all competitive fronts as a means of improving on business performance outcomes.

With the best practice today, 51% of organizations frequently trained their managers in applying performance management systems, while 22% of the sampled organizations always use competencies in their performance systems. They establish job competencies or core competencies in order to clarify what is expected of employees and to link different systems. As a matter of fact, 20% of the current sample of organizations includes team-based objectives in individual performance plans. There is team appraisal in which team members or peer actually set goals and appraised one another. Approximately, 20%-25% of the organizations in this survey use peer input, customer feedback and input from direct reports. All these new ideas/measures help to boost productivity level in manufacturing organizations in Southern Nigeria (Adeleye and Yusuf, 2006:174).

3.0 Methodology

The survey research method was utilized in line with the problems and objectives of the study. The ex-post facto research design was also employed. Thus data were collected from both primary and secondary sources. A set of questionnaire containing thirty (30) questions was drawn in connection with the issues raised in the study. The sample frame consists of manufacturing firms in Southern Nigerian States made up of Abia, Akwa-Ibom, Anambra, Cross-River, Delta, Edo, Lagos, Ogun, Osun, Oyo and River State. It was made up of nine hundred and ninety three (993) manufacturing organizations contained in Gold Star Directory (2008) for the major 5000 companies in Nigeria. The questionnaire was administered to the various managing directors of these firms who were strategically placed to provide data for a proper evaluation of performance management practices of the sampled organizations.

Yamane (1964) formula was utilized for computation of the sample size (see appendix I). After calculating the sample proportionately to the various states depending on the proportion of the entire population that came from each state using Kumar (1976) proportional allocation formula (appendix II). The questions were optioned using a five (5) point Likert type of responses namely: Strongly Agree, Agree, Neutral, Disagree and Strongly Disagree. In all, 280 respondents returned their copies duly completed from a total of 285. A combination of Chi- Square and one sample Kolmogorov-Smirnov Z test hypotheses was adopted for analysis. These techniques were considered appropriate because the samples of the variables were randomly selected from the population.

4.0 Results and Discussion

In this paper, the performance management practices of selected manufacturing firms in Southern Nigeria were investigated. In this section, the findings in relation to the objectives of the study are presented and discussed:

- i. The extent current performance management practices in Nigeria yield effective results.

The finding of this objective reveals that current performance management practices in selected manufacturing firms in Southern Nigeria yield effective results. This result agrees with Mc Namara, (2007: 4) and Mullins (2010) who in their individual writings see performance management as setting goals, monitoring the achievement of these goal, sharing feedback, evaluating, performance and rewards for employees performance in the organizations. It is note worthy that many of the sampled firms agreed to the adoption of competent skill rating. This equally gives credence that the manufacturing firms are aware of innovations in performance management system. The table 1.0 below gives more insight.

- ii. The extent performance management practices in Nigeria manufacturing firms conform to best practices.

The findings of this objective reveal that manufacturing firms performance management practices did not conform to global best practices. Table 2.0 (see, appendix) on performance management conformity with best practices attest to this assertion and the finding here agrees with the writings of Miller (1990), Elany (2001) and Adair (2005) who individually argue that performance management practices in organization should be tailored by organizational leaders to be in random with global practices. For organizations to achieve the dimensions of service delivery, price and quality are very essential. However, this study reveals that manufacturing firms in Nigeria seems to place concern more on price as against service delivery which is the global practice.

Testing Hypothesis One

Test Statistics

	Performance Management Practice and Effectiveness Results
Chi- Square (a) df	47.825
Asymp. Sig.	4 .000

a 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 57.0.

Decision rule: The rule is consistent with that in hypothesis two. Hence, testing the above hypothesis at 95% confidence interval and 4 degree of freedom, the computed chi- square value of 47.825 emerged. The result is far greater than the critical chi- square value of 9.488. This means that null hypothesis is again rejected. The study thus concludes that: Current performance management practices in Nigeria significantly deliver effective results.

Testing Hypothesis Two

Performance management practices in Nigerian manufacturing organization do not conform with best practice.

Hypothesis two was tested using the Z- test one- sample Kolmogorov- Smirnov test of normal distribution. Employing the Statistical Package for Social Sciences (SPSS) analysis, the result below emerged:

One- Sample Kolmogorov- Smirnov Test

	Performance management conformity with best practice
N	285
Normal Parameters (a, b) Mean	1.7930
Std. Deviation	.92460
Most Extreme Difference Absolute	.289
Positive	.289
Negative	-.196
Kolmogorov- Smirnov Z	4.872
Asymp. Sig (2- tailed)	.000

a Test distribution is Normal.

b Calculated from data.

Since KS-Z is 4.872, which is greater than 1, the distribution of the responses is normal. This means that any conclusion drawn from the frequency distribution is accurate as most of the responses tend towards the mean (1.7930). with a higher percentage of the respondents (87.78%) disagreeing that performance management practices in Nigerian manufacturing organizations conform with best practices, the null hypothesis should be accepted. Thus performance management practices in Nigerian manufacturing organizations do not conform to best practices at the moment.

5.0 Conclusion and Recommendations

Having, carried out this study and analyzed the data obtained from the field, there is no doubt that performance management practices in Southern Nigeria firms yield effective result. The study also revealed that performance management practices as currently carried out by these firms did not conform to global practices. The following recommendations are hereby suggested by the researchers;

- i. Leaders and top management of these manufacturing firms should continue to apply performance management strategies in a positive manner bearing in mind its usefulness to enhance level of productivity performance among their employees.
- ii. Since performance management practices in these firms did not conform to best practices, training and development programmes should be encouraged by professional institutes such as Nigerian Institute of Management (NIM), Chartered Institute of Personnel Management (CIPM) to enhance the proficiency of members who are employees of these firms.
- iii. Government at all levels should continue to create the enabling environment for these manufacturing firms to thrive and survive bearing in mind that the operating environment is still not very conducive.

Appendix

Table 1.0: Performance Management Practices and Effectiveness Results.

Category	Frequency	Percentage
Strongly Agree	78	27.48
Agree	73	25.56
Undecided	14	4.81
Disagree	51	18.00
Strongly Disagree	69	24.15
Total	285	100

Source: Field Survey 2010

Employing Chi- Square statistics, the test result below shows that descriptive statistics,

	N	Mean	Std. Deviation	Minimum	Maximum
Performance Management Practice And Effectiveness Results	285	3.1404	1.57711	1.00	5.00

Chi- Square Test Frequencies Performance Management Practice and Effectiveness Results

Category	Observed N	Expected N	Residual
Strongly Agree	69	57.0	12.0
Agree	51	57.0	-6.0
Undecided	14	57.0	-43.0
Disagree	73	57.0	16.0
Strongly Disagree	78	57.0	21.0
Total	285		

Table 2.0 Performance Management Conformity with best Practice

Category	Frequency	Percentage
Strongly Agree	7	2.44
Agree	14	4.81
Undecided	14	4.96
Disagree	128	44.74
Strongly Disagree	123	43.04
Total	285	100

Source: Field Survey 2010

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