

# Employees' Appraisal and the Performance of Publicly Quoted Nigerian Firms: the Moderating Roles of Motivation and Target-Setting

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**Abstract:** In the management literature, several managerial techniques have been identified to influence organizational performance; these managerial techniques among others include the setting of targets by the firm for employees, provision of motivational incentives and efficient appraisal system. Given their vital roles in enhancing organizational performance, this paper assessed the moderating roles of motivation and target-setting on the relationship between employees' appraisal and firm performance. Primary data (questionnaire) was the major instrument of data collection which was administered on two hundred and eight (280) respondents who are employees of ten (10) financial and non-financial publicly quoted firms on the floor of the Nigerian Exchange Group. Data obtained in the survey were analysed via descriptive, post-estimation and inferential statistical techniques. In specific, the structural equation modeling result indicated motivational incentives and target-setting by firms for employees moderate on relationship between employees' appraisal and firm performance. Notably, the theoretical and managerial implications of the results have been methodically discussed in this paper.

**Keywords:** Employee appraisal; Firm performance; Motivation; Target-setting; Public sector

JEL Classification: M49; M40.

## INTRODUCTION

Over the years, analyses of business failures have shown that a high percentage of the failures are resultant effects of unqualified/inexperienced employees and management. Conceivably, one of the reasons why organizations carry out routine appraisal, motivate and set targets for the workforce in order to curb failures and attain increased business performance. The term 'employee appraisal' refers to an evaluation mechanism of the capability and completed tasks of the workforce (see Ates, Garengo, Cocca & Bititci, 2013; and Olufunso & Tony, 2014). The maxim that people are needed to attain organizational goals thus goes with the essence why organizations employ workforce with the right skills (Park & Jang, 2017; and Shahmehar, Safari, Jamshidi and Yaghoobi, 2014).

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Blasini and Leist (2013); Wu, Bacon and Hoque (2014) contended that employee appraisal should be carried out in order to determine what is expected of the workforce on their job roles, skills, knowledge and competencies. Thus, the prime aim of employee appraisal is to ascertain and identify employees' strengths and weaknesses with the intent of maximizing the performance of employees. Firm performance is determined by the physical and emotional state of the workforce, thus influencing the level of relaxedness and attentiveness in the work environment.

Firm performance falls under two (2) categories: financial and non-financial performance (see Traverse & Cooper, 2020; Jeroh, (2013) and Isogawa, Nishikawa & Ohashi, 2012). While financial performance refers to assessing the accomplishments of the organizations in monetary terms (return on asset, earnings per share, return on equity, market value per share, book value per share, return on capital employed, etc), non-financial performance refers to an assessment of the accomplishments of the organizations via non-monetary terms (service and product quality, productivity, increased customers' base, etc); this paper employed the non-financial performance measures.

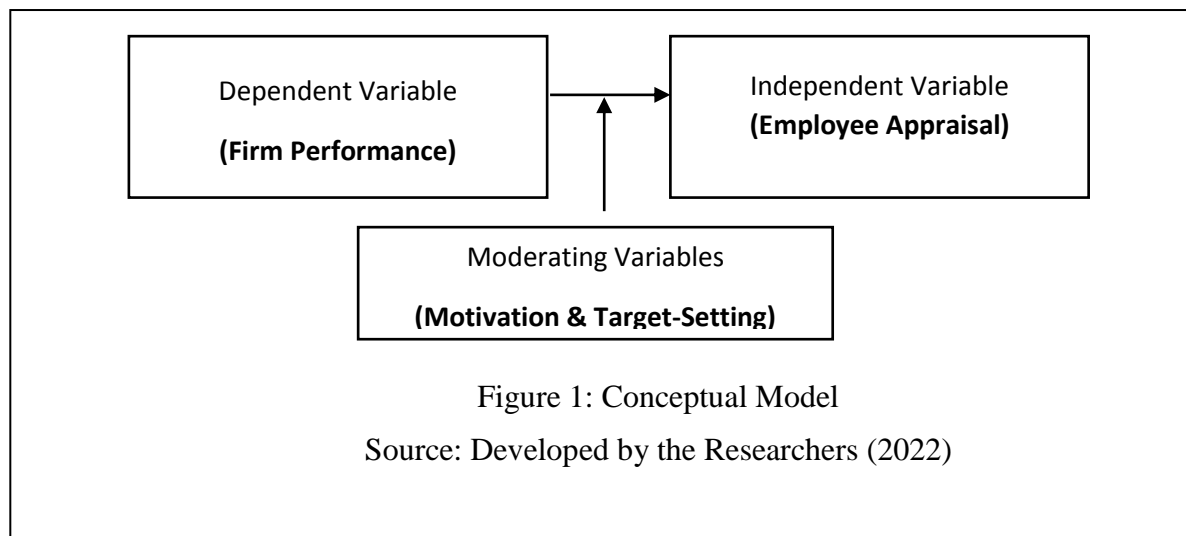
Quite a number of studies had shown that there is relationship between employee appraisal and firm performance in both developed and developing countries; however, there is no study that had assessed the moderating effects of motivation and target-setting on the relationship between employee appraisal and performance of publicly quoted Nigerian firms. Thus, there is a literature gap in this area as it pertains to both developed and developing countries of the world. Consequent upon the above, this paper examined the moderating effects of motivation and target-setting on the relationship between employee appraisal and the performance of publicly quoted Nigerian firms.

## THEORETICAL UNDERPINNING

The term employee appraisal refers to an evaluation of the quality of employees' work or job or finding how valuable the employees to the organization Sinebe, (2020). Shahmehr, et al (2014) see employees' appraisal, as a review of the performance of the workforce based on set objectives and goals. On the other hand, firm performance connotes the benefits resulting from the functioning and operations of an organization (Okoro & Ekwueme, 2021). Prior studies had shown that motivation and target-setting plays momentous moderating role on the relationship between employees' appraisal and firm performance (Emudainohwo, 2016).

The theory of motivation by Maslow depicts how motivation and target-setting play a major role in influencing firm performance (Miheo & Mukanzi, 2020). For instance, Maslow categorized factors that motivate people into five (5): physiological, safety, love/belonging, self-esteem and self-actualization needs. Specifically, the fulfillment of each hierarchy of the needs depends largely on the satisfactory realization of prior needs (Maslow, 1943 cited in Mia, Thatok & Dwi, 2020).

As applied to this study, motivation and target-setting reflects fulfillment of love/belonging, self-esteem and self-actualization of the workforce which in turn affects firms' performance. In turn, motivation and target-setting result in job stability for the firm. Thus, the needs paradigm of Maslow holds that employees would expect an augmentation in motivational incentives and decreased target setting by the firm for employees, which tend to increase the performance of firms. Given the above, the following conceptual model was developed (Fig. 1). Figure 1 conceptualizes how motivation and target-setting moderate on the relationship between employees' appraisal and performance of publicly quoted firms on the floor of the Nigerian Exchange Group (NGX).



## METHODS

The study used cross-sectional survey design via administration of structured questionnaire, which was administered on two hundred and eighty (280) employees of financial and non-financial firms publicly quoted on the floor of the Nigerian Exchange Group (NGX). The sample size of 280 was obtained via probabilistic sampling technique (Taro-Yamane sample size formula). The structured questionnaire draws from a long practice of factors that are responsible for enhancing the performance of firms and those extensively employed in the extant management literature (see Park et al 2017) in assessing the moderating effects of motivation and target-setting on the relationship between employees' appraisal and the performance of firm.

The questionnaire was designed on a 5-point scale of strongly agree, agree, neutral, disagree and strongly disagree and was administered on a face-to-face basis on employees of financial and non-financial firms in Nigeria by the researchers alongside two (2) well-trained research assistants. The research subjects (respondents) had a timeframe of 7 days to complete the questionnaire. Furthermore, a pilot test was carried out to ascertain the level of reliability of the research instrument; the Cronbach alpha reliability coefficients are presented in Table 1:

**Table 1: Reliability Coefficients**

Items	Obs.	Sign	Item-test correlation	Item-rest correlation	Average inter-item covariance	Cronbach Alpha
Firm Performance	50	+	0.85	0.79	0.57	0.89
Employee Appraisal	50	+	0.89	0.83	0.50	0.88
Motivation	50	+	0.90	0.85	0.51	0.87
Target-Setting	50	+	0.85	0.80	0.59	0.89

Source: Researchers' Computation via STATA 13.0

The Cronbach Alpha coefficients ranged from 0.87-0.89; the lowest being motivation (0.87) which is above the threshold of 0.7. Hence, the research instrument is deemed reliable since all the items (firm performance, employee appraisal, motivation and target-setting) surpassed the threshold of 0.7 as recommended as for a reliable instrument. In specific, the independent variable is employee appraisal; dependent variable is firm performance while moderating variables are motivation and target-setting. The model of the study is given as:

$$FPerf = f(Emapp, Movt, Tagset) \quad - \quad Eq. 1$$

Equation 1 is the implicit form of the moderating roles of motivation and target-setting on the relationship between employee appraisal and firm performance. Equation 1 was re-estimated as equation 2 explicitly:

$$FPerf_i = \alpha_0 + \alpha_1 Emapp_i + \alpha_2 Movt_i + \alpha_3 Tagset_i + \epsilon_i \quad - \quad Eq. 2$$

Where: *FPerf*: firm performance; *Emapp*: employee appraisal; *Movt*: employee motivation; *Tagset*: target-setting;  $\alpha_1$ - $\alpha_3$ : coefficient of the variables; *i* = number of respondents (1,2, 3, ...280);  $\epsilon$  = error term. Presumptively, we expect  $\alpha_1$ ,  $\alpha_2$ , and  $\alpha_3$  to be greater than 0, which signify that motivation and target-setting will moderate on the relationship between employee appraisal and firm performance.

Data collected in the survey were analysed via descriptive statistics(mean, standard deviation, skewness, kurtosis, and Pearson correlation), post-estimation statistics (variance inflation factor) and inferential statistics (structural equation modeling -SEM). The statistical tests were carried out using STATA 13.0 version.

## RESULTS AND DISCUSSIONS

**Table 2: Summary of Descriptive Statistics**

Variables	Mean	Std. Dev.	Skewness	Kurtosis
Firm Performance (Fperf)	2.7216	0.6684	2.6801	3.1227
Employee Appraisal (Emapp)	3.1929	0.9757	1.1493	3.2050
Motivation (Movt)	2.8179	0.7535	3.1812	2.9405
Target-Setting (Tagset)	2.8085	0.7822	2.6272	2.8878

Source: Researchers' Computation via STATA 13.0

Table 2 shows the descriptive statistics (mean, standard deviation, skewness, and kurtosis) of summarized perceptions of respondents on certain factors (employee appraisal, motivation, and target-setting) that are responsible for enhancing the performance of firms. First, the mean values for the variables are 3.1929(Emapp), 2.8179(Movt), 2.8085(Tagset), and 2.7216 (Fperf), indicating that the viewpoints of the respondents on the research theme are common (i.e. respondents shared similar views on the factors enhancing the performance of firms).

Second, the standard deviation showed that the highest value was recorded by employee appraisal (std. dev.=0.9757) and the least by firm performance (std. dev.=0.6684); this result implies that respondents perceive employee appraisal as the most vital factor enhancing the performance of firms. Notably, the standard deviation values revolve around 0.67 (minimum) and 0.98(maximum), suggesting that the perceptions of respondents on the research theme are not too dispersed from each other hence similar views are shared by them.

Third, the skewness results showed that all the variables of the study were positively skewed, suggesting that employee appraisal, motivation, and target-setting favourably moved together in one direction with firm performance. Remarkably, the kurtosis values suggest that the data satisfies the normality condition since the kurtosis values for all the variables are close to 3.

**Table 3: Pearson Correlation Coefficients**

Variables	Fperf	Emapp	Movt	Tagset
Firm Performance (Fperf)	1.0000			
Employee Appraisal (Emapp)	0.5206	1.0000		
Motivation (Movt)	0.5753	0.5234	1.0000	
Target-Setting (Tagset)	-0.5887	0.5251	0.5702	1.0000

Source: Researchers' Computation via STATA 13.0

Table 2 shows Pearson correlation coefficients of the dependent variable (firm performance), independent variable (employee appraisal) and moderating variables (motivation and target-setting). The results depicted that Pearson *R* for the independent and moderating (employee motivation) variables were positively correlated with the dependent variable, except target-setting that is negatively correlated. The Pearson coefficients imply that firm performance has a positive relationship with employee appraisal, and motivation while target-setting shows a negative relationship; thus management of publicly quoted firms on the floor of the NGX can improve their performance via the use of employee appraisal and motivation.

**Table 4: Variance Inflation Factor (VIF)**

Variables	VIF	1/VIF
Target-Setting (Tagset)	1.8881	0.5296
Motivation (Movt)	1.8462	0.5416
Employee Appraisal (Emapp)	1.5052	0.6643
<b>Mean VIF</b>	<b>5.2395</b>	

Source: Researchers' Computation via STATA 13.0

Table 4 shows the variance inflation factor (VIF) result which was used to ascertain whether multicollinearity problem exists among pairs of the independent and moderating variables of the study. According to Najameddin Ali and Jamshed, (2021) multicollinearity between independent and moderating variables may result to wrong signs in the estimate model coefficients and bias of standard errors of coefficients. The result of mean VIF = 5.2395, which is less than the accepted VIF of 10.0, suggesting that there is the non-existence of multicollinearity problem in the empirical model of the study.

**Table 5: Fit Indicators of Employee Appraisal (Emapp), Firm Performance (Fperf) Moderated by Motivation (Movt) and Target-Setting (Tagset)**

Fit Indicators	Coefficients	Remark
Goodness of Fit	0.94	Well-fitted
Adjusted Goodness of Fit	0.91	Well-fitted
Comparative Fit Index	0.93	Well-fitted
Root Mean Square Residual	0.04	Well-fitted
Root Mean Square Error of Approximation	0.07	Well-fitted

Source: Researchers' Computation via STATA 13.0

The structural equation modeling (SEM) was employed to assess the path relationship among the constructs (employee appraisal, firm performance, motivation and target-setting). In Table 5, the results of fit indicators were presented. The results show that the empirical model provided absolute fit to the data with goodness of fit = 0.94; adjusted goodness of fit = 0.91; comparative fit index = 0.93, root mean residual = 0.04, and root mean square error of approximation = 0.08.

The results above suggest that the fit indicators outperformed the recommended threshold of 0.9; more so, the root mean square error of approximation value is below the threshold of .08, suggesting that the approach employed in modeling the mediating effects of motivation and target-setting as against employee appraisal and firm performance fit properly; the structural path result is shown in Figure 2:

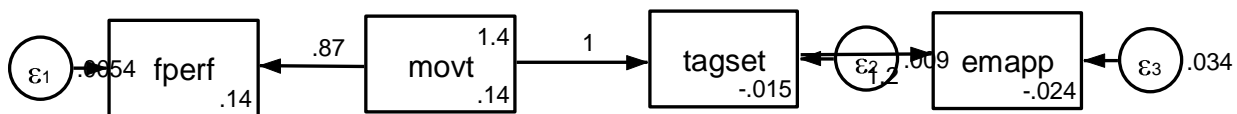


Figure 2: The Structural Model

Source: Researchers' Computation via STATA 13.0

Given the SEM path diagram (Fig. 2), it was found that motivational incentive (*movt*), and target setting (*tagset*) for employees by management moderate on the relationship between employee appraisal (*emapp*) and firm performance (*fperf*). In terms of pathway coefficients, motivation(*movt*) is 0.14 and targeting-setting(*tagset*) is -0.015; this implies that motivational incentive plays a positive moderating effect on the relationship between employee appraisal and firm performance while target-setting plays a negative moderating effect. Thus, the result showed that motivation attracts improved firm performance and employee appraisal while target-setting attracts decreased firm performance and employee appraisal.

Table 6: Results of Structural Equation Modeling (Effects and Fitting Target Model)

Parameters (Direct Effects)	Coefficient	Z-Score	P> Z
Fperf <- Movt	0.8651	73.93	0.0000
Tagset <- Movt	1.0007	66.98	0.0000
Emapp <- Tagset	1.1540	-40.78	0.0000
Emapp <- Movt	1.1622	34.83	0.0000

LR test of model vs. saturated: chi2(3) = 300.96, Prob > chi2 = 0.0000

Source: Researchers' Computation via STATA 13.0

Table 5 show that effect of the integrative model of employee appraisal and firm performance as mediated by motivation, and targeting setting. The result revealed direct mediating effects of motivation and targeting setting on the relationship between employee appraisal and firm performance, although negative for targeting setting (z-score = -40.78); these results thus call for some policy recommendations.



Pragmatically, firms' interests are geared towards stimulating performance and appraisal of employees. In Nigeria, financial and non-financial firms have made rigorous efforts towards this direction via the use of motivational incentives and setting of target for employees by the management of firms. There is widespread assertion that when employees are well motivated, it leads to improved performance (see Ates, *et al*, 2013; and Olufunso & Tony, 2014). While this view abounds in the management literature, there are claims that target-setting negatively affects employees' performance (see Park & Jang, 2017; Shahmehar, *et al*, 2014; and Blasini & Leist, 2013).

In line with these assertions of extant literature, this study established the structural effects of employee appraisal and firms' performance, moderated by motivation and targeting setting. This research is unique since there is lack of studies in this area; notably, the results showed that while motivational incentive plays a positive moderating effect on the relationship between employee appraisal and firm performance, target-setting plays a negative moderating effect. Thus, motivation attracts improved firms' performance and employee appraisal while target-setting attracts decreased firms' performance and employee appraisal.

## CONCLUSION AND RECOMMENDATIONS

In this paper, we investigated the moderating effects of motivation and target-setting on the relationship between employee appraisal and performance of publicly quoted Nigerian firms. The SEM results indicated that motivation and target-setting play inverse moderating effects on the relationship between employee appraisal and firms' performance. Since motivation plays a positive moderating effect on the relationship between employee appraisal and firm performance, management should focus on motivational incentives (like financial and non-financial rewards) for the workforce. Similarly, given that target-setting for employees play a negative moderating effect on the link between employee appraisal and firm performance, hence management should discourage the setting of targets for the workforce.

Overall, employee appraisal should be done on a regular basis for the workforce and should be translucent. This paper contributes to management literature by filling the gap on what is known about the moderating effects of motivation and target-setting on the relationships between employee appraisal and firms' performance, particularly in the Nigerian context. In addition, this study contributes to knowledge by showing that while motivation plays a positive moderating role on the link between employee appraisal and firm performance, target-setting plays a negative moderating role.

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