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Organizational Politics and Performance Appraisal Decisions of Firms in The Oil and Gas Industry in Rivers State, Nigeria

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ABSTRACT

This study examined the relationship between organizational politics and performance appraisal decisions in selected oil and gas firms in Rivers State, Nigeria. Specifically, the study explored how three dimensions of organizational politics—loyalty, power coalition, and nepotism—influence four key aspects of performance appraisal decisions: employee promotion, training, discipline, and transfer. The study adopted a correlational survey research design and drew its theoretical framework from the Social Exchange Theory and Organizational Justice Theory. Data were collected from a sample of 80 respondents (directors, managers, and supervisors) across 10 oil and gas companies in Rivers State, using a structured questionnaire. Descriptive statistics and Pearson's Product-Moment Correlation Coefficient were used to analyze the data. The results revealed a significant positive correlation between organizational politics and all four appraisal indicators. Among the political dimensions, nepotism exhibited the strongest correlation with performance appraisal decisions, particularly in areas of employee promotion and discipline. Loyalty and power coalitions were also found to significantly influence decisions related to training and transfer. These findings suggest that performance appraisals in the oil and gas sector are often influenced more by informal political dynamics than objective performance metrics. The study concludes that the prevalence of organizational politics undermines merit-based appraisal systems, with potential adverse effects on employee morale and organizational performance. It recommends the institutionalization of transparent, merit-based appraisal systems, establishment of ethics oversight committees, and continuous training of HR managers to promote fairness and accountability in human resource practices.

Keywords: Organizational Politics, Loyalty, Power Coalition, Nepotism, Performance Appraisal, Employee Promotion, Employee Training, Discipline, Transfer, Oil and Gas Industry, Rivers State.

1. INTRODUCTION

Organizational politics has become an unavoidable element in modern workplace dynamics, significantly influencing managerial decisions and human resource outcomes. It refers to the informal, often manipulative behaviors used by individuals or groups to influence decisions and gain advantage, often at the expense of others or the organization (Vigoda-Gadot, 2007). While a certain level of political behavior may be functional and strategic, its negative manifestation—such as favoritism, alliances, and manipulation—poses serious threats to fair and objective management processes, particularly in performance appraisal.

Performance appraisal is a critical human resource function designed to assess employee performance, identify training needs, and guide decisions on promotion, discipline, and transfer (DeNisi & Murphy, 2017). Ideally, appraisals should be based on objective criteria and performance metrics; however, in politically charged organizational environments, decisions are often influenced by subjective factors such as loyalty to superiors, membership in internal power coalitions, and nepotistic relationships (Ferris et al., 2002). These political dimensions distort the fairness and accuracy of appraisal systems, resulting in reduced employee morale, diminished trust in management, and poor organizational outcomes.

In Nigeria's oil and gas industry—particularly in Rivers State, which hosts many of the country's major exploration and servicing firms—organizational politics is a pervasive phenomenon. Studies have shown that political behaviors within Nigerian workplaces often override merit, influencing who gets promoted, trained, transferred, or disciplined (Agba et al., 2013). This presents a significant concern in a sector that relies heavily on technical competence, safety compliance, and operational efficiency.

Despite its importance, there remains limited empirical evidence on how specific dimensions of organizational politics—such as loyalty, power coalition, and nepotism—correlate with performance appraisal outcomes like employee promotion, training, discipline, and transfer in Nigeria's oil and gas sector. This study seeks to fill that gap by investigating the extent and nature of these relationships in selected firms in Rivers State. The findings aim to enhance the understanding of political behavior in performance evaluations and inform the design of more transparent and merit-driven appraisal systems.

Statement of the Problem

Performance appraisal is a critical human resource function aimed at evaluating employee performance, identifying training needs, guiding promotion and transfer decisions, and ensuring disciplinary accountability. However, in many organizations—especially within politically sensitive sectors like Nigeria's oil and gas industry—this vital process is often undermined by organizational politics. In Rivers State, a major hub for the country's petroleum activities, performance appraisal decisions are frequently influenced not by merit or productivity but by loyalty to superiors, membership in power coalitions, and nepotistic relationships. These political behaviors distort appraisal outcomes and compromise fairness, objectivity, and organizational justice (Agba et al., 2013; Okolie & Eze, 2018).

Employees perceived to be loyal to management or aligned with dominant political groups within the firm are more likely to be promoted or trained, regardless of their actual performance. Conversely, those lacking political backing may face stagnation, unfair transfers, or unwarranted disciplinary actions. This political interference erodes trust in performance management systems, demoralizes competent employees, and fosters a toxic workplace culture where advancement is based more on politics than performance (Ferris et al., 2002; Vigoda-Gadot, 2007).

Despite the growing awareness of organizational politics in Nigerian firms, there is limited empirical evidence on how specific political behaviors—such as loyalty, power coalition, and nepotism—correlate with key performance appraisal outcomes like employee promotion, training, discipline, and transfer in the oil and gas industry. Without such evidence, organizations may continue to implement flawed appraisal systems that breed favoritism, hinder productivity, and undermine employee development.

This study, therefore, seeks to address this gap by examining the relationship between organizational politics and performance appraisal decisions in selected oil and gas firms in Rivers State. Understanding these dynamics is essential for designing more transparent, equitable, and performance-based appraisal systems in Nigeria's most economically strategic industry.

Research Objectives

The primary objective of this study is to examine the relationship between organizational politics and performance appraisal decisions in oil and gas firms in Rivers State, Nigeria. Specifically, the study seeks to:

1. Determine the extent to which loyalty affects employee promotion decisions in oil and gas firms.
2. Examine the relationship between power coalition and employee training decisions.
3. Assess the influence of nepotism on employee disciplinary decisions.
4. Investigate the effect of organizational politics (loyalty, power coalition, and nepotism) on employee transfer decisions.

Research Questions

To achieve the above objectives, the study will be guided by the following research questions:

1. To what extent does loyalty influence employee promotion in oil and gas firms in Rivers State?
2. What is the relationship between power coalition and employee training decisions in these firms?
3. How does nepotism affect employee disciplinary decisions?
4. In what ways do organizational political behaviors (loyalty, power coalition, and nepotism) impact employee transfer decisions?

Research Hypotheses

H_{01}: There is no significant relationship between loyalty and employee promotion decisions in oil and gas firms in Rivers State.

H_{02}: There is no significant relationship between power coalition and employee training decisions in oil and gas firms in Rivers State.

H_{03}: Nepotism has no significant influence on employee disciplinary decisions in oil and gas firms in Rivers State.

H_{04}: There is no significant relationship between organizational politics (loyalty, power coalition, and nepotism) and employee transfer decisions in oil and gas firms in Rivers State.

2. REVIEW OF RELATED LITERATURE

1. Conceptual Review

Organizational Politics

Organizational politics refers to self-serving actions of individuals within an organization aimed at gaining advantage or control over organizational resources, often at the expense of others or the organization's goals (Ferris et al., 2002). These behaviors may be covert or overt, legitimate or illegitimate, and often thrive in settings where formal structures are weak or leadership is biased. In the Nigerian oil and gas sector, where competition for scarce managerial positions and incentives is intense, political maneuvering is a common organizational reality (Agba et al., 2013).

Three key dimensions of organizational politics pertinent to this study are:

- **Loyalty**: This involves employee alignment with and devotion to influential individuals or factions in the organization, often in hopes of securing career benefits regardless of merit (Vigoda-Gadot & Drory, 2006).
- **Power Coalition**: This reflects groupings or alliances formed by individuals to consolidate influence and shape decisions such as hiring, appraisals, and promotions (Cropanzano et al., 1997).
- **Nepotism**: The practice of favoring relatives or close acquaintances in recruitment, evaluation, or promotion, regardless of competence (Jones, 2010).

Performance Appraisal Decisions

Performance appraisal is the systematic evaluation of employee performance to determine contributions to organizational goals and to support personnel decisions (DeNisi & Murphy, 2017). Ideally, performance appraisals are based on objective standards and consistent benchmarks. However, political interference can taint appraisal decisions in the following ways:

- **Employee Promotion**: In organizations where politics thrives, promotion is often based on allegiance rather than merit (Kacmar & Ferris, 1991).
- **Employee Training**: Politically connected employees may gain access to better training opportunities regardless of actual need or potential (Poon, 2004).
- **Employee Discipline**: Disciplinary measures may be inconsistently applied, with politically favored employees shielded from consequences (Vigoda-Gadot, 2007).
- **Employee Transfer**: Transfers may be politically motivated to reward loyalty or isolate dissent (Muhammad, 2007).

Empirical Review

Several empirical studies have explored the interplay between organizational politics and HRM outcomes.

Agba et al. (2013) examined organizational politics and job satisfaction in Nigerian public sector organizations and found that political behaviors, particularly favoritism and group affiliations, significantly affected employee morale and appraisal outcomes. Okolie and Eze (2018) investigated organizational politics in oil companies in the Niger Delta and discovered that loyalty to political blocs within the firm significantly influenced promotion and training access. Their study emphasized that employees perceived appraisal systems as tools for reinforcing internal hierarchies rather than for merit-based assessments. Poon (2004) in a study involving Malaysian corporations, found that perceptions of organizational politics negatively influenced employees' attitudes toward performance appraisal fairness. The study noted that employees who believed that appraisals were politically motivated reported lower levels of satisfaction and trust in HR processes. Omisore and Nweke (2014) analyzed the role of nepotism and favoritism in Nigerian organizations and concluded that both factors weakened the integrity of HR decisions, especially those involving promotion and discipline. Mustapha and Naoum (2017) focused on power coalitions and performance appraisal manipulation in Middle Eastern oil firms. Their findings indicated that informal coalitions among managers often skewed appraisal ratings to favor group members, sidelining competent but politically neutral employees.

These studies collectively affirm that organizational politics significantly influences HR decisions, especially in environments with weak institutional controls and high stakes, such as the oil and gas sector in Nigeria.

3. RESEARCH METHODOLOGY

Research Design

This study adopts a correlational survey research design. This design is appropriate because the study seeks to examine the relationship between organizational politics (loyalty, power coalition, and nepotism) and performance appraisal decisions (employee promotion, training, discipline, and transfer) in oil and gas firms in Rivers State, Nigeria. The correlational approach allows for the analysis of the direction and strength of association among these variables without manipulating them, making it suitable for social science research involving employee perceptions and organizational behavior.

Population of the Study

This study targets key decision-makers involved in performance management processes within oil and gas firms. The class of respondents includes directors, managers, and supervisors in ten (10) currently operating oil and gas firms in Rivers State. These individuals are strategically positioned to provide insight into how organizational politics influences performance appraisal decisions. Table 3.1 provides the distribution of the study population:

Table 3.1: Population of the Study

S/No.	Name of Company	Population
1	Port Harcourt Refining Company (PHRC), Eleme (NNPC)	15
2	Shell Petroleum Development Company of Nigeria (SPDC)	15
3	Nigeria Liquefied Natural Gas (NLNG)	10
4	Total Energies EP Nigeria Ltd	10
5	Chevron Nigeria Limited (CNL)	10
6	Agip Oil Company (NAOC)	10
7	Nestoil Limited	8
8	Belemaoil Producing Limited	8
9	Aiteo Eastern Exploration and Production Company	8
10	Niger Delta Petroleum Resources (NDPR)	6
	Total	**100**

Sample Size Determination Using Taro Yamane's Formula

Taro Yamane (1967) provides a simplified formula to determine sample size from a finite population:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n = sample size

N = population size

1 = constant

e = level of significance at 0.5

$$n = \frac{100}{1 + N(e)^2}$$

$$n = \frac{100}{1 + 100(0.05)^2}$$

$$n = \frac{100}{1 + 100(0.0025)^2}$$

$$n = \frac{100}{1 + 0.25} = 83$$

Updated Table 3.1: Population and Sample Size of the Study

S/No.	Name of Company	Population	Proportional Sample Size
1	Port Harcourt Refining Company (PHRC), Eleme (NNPC)	15	12
2	Shell Petroleum Development Company of Nigeria (SPDC)	15	12
3	Nigeria Liquefied Natural Gas (NLNG)	10	8
4	TotalEnergies EP Nigeria Ltd	10	8
5	Chevron Nigeria Limited (CNL)	10	8
6	Agip Oil Company (NAOC)	10	8
7	Nestoil Limited	8	6
8	Belemaoil Producing Limited	8	6
9	Aiteo Eastern Exploration and Production Company	8	6
10	Niger Delta Petroleum Resources (NDPR)	6	4
	Total	**100**	**80**

Data Presentation and Analysis

This section presents and analyzes the data collected from the 80 respondents sampled across 10 oil and gas firms in Rivers State. The statistical analysis employed includes **descriptive statistics** (mean and standard deviation) and **inferential statistics** (Pearson's Product-Moment Correlation Coefficient) to test the relationship between variables.

Descriptive Statistics of Variables

Variable	N	Mean (M)	Standard Deviation (SD)
Loyalty	80	3.84	0.74
Power Coalition	80	3.67	0.81
Nepotism	80	3.92	0.69
Employee Promotion	80	3.76	0.70
Employee Training	80	3.64	0.75
Employee Discipline	80	3.81	0.78
Employee Transfer	80	3.59	0.83

Interpretation

The mean scores for all variables are above the midpoint of the 5-point Likert scale, indicating that respondents moderately agree with the presence of organizational politics and its influence on performance appraisal decisions.

Inferential Statistics

To determine the relationship between dimensions of organizational politics and aspects of performance appraisal, **Pearson's correlation** was conducted at a 0.05 significance level.

Table 4.2: Correlation Matrix

Independent Variables	Promotion	Training	Discipline	Transfer
Loyalty	.478**	.361**	.428**	.402**
Power Coalition	.391**	.336**	.447**	.370**
Nepotism	.512**	.384**	.492**	.460**

Note: $p < 0.01$

Interpretation of Results

- **Loyalty** shows a moderate and statistically significant positive correlation with **promotion** ($r = .478$, $p < 0.01$), **training**, **discipline**, and **transfer**. This suggests that perceived loyalty influences how employees are appraised across these outcomes.
- **Power Coalition** is also significantly associated with all four performance appraisal indicators, particularly **discipline** ($r = .447$), implying that informal power blocs may shape disciplinary decisions.
- **Nepotism** demonstrates the strongest correlation across all four indicators, especially with **promotion** ($r = .512$) and **discipline** ($r = .492$), indicating a tendency for favoritism to shape appraisal decisions.

Summary of Findings

1. Organizational politics dimensions are positively correlated with performance appraisal decisions in oil and gas firms.
2. Among the dimensions, nepotism has the strongest influence on employee-related decisions.
3. Loyalty and power coalitions also significantly predict outcomes like training and transfer.
4. These findings suggest that non-meritocratic factors heavily influence human resource decisions in the sector.

Discussion of Findings

The findings of the study reveal a significant and positive relationship between organizational politics—measured in terms of loyalty, power coalition, and nepotism—and performance appraisal decisions, including employee promotion, training, discipline, and transfer within oil and gas companies in Rivers State, Nigeria.

Firstly, the analysis shows that loyalty to superiors or informal power figures significantly affects appraisal outcomes. Employees perceived as loyal are more likely to receive favorable promotions and training opportunities, consistent with the assertions of Vigoda-Gadot & Drory (2006), who emphasized that loyalty often becomes a criterion for advancement in politically charged environments.

Secondly, the influence of power coalitions—informal groups or cliques within the organization—on appraisal decisions, particularly on employee discipline and transfer, suggests that decision-making processes are often skewed in favor of group interests rather than merit (Ferris et al., 2002). This undermines objectivity and can damage employee morale and organizational integrity.

Lastly, nepotism emerged as the most dominant political dimension, strongly correlating with all aspects of performance appraisal. This finding is in line with prior research (Khatri, Tsang & Begley, 2006) that associates nepotism with biased HR practices, particularly in developing economies where personal relationships often override formal processes.

Overall, the results imply that organizational politics plays a pivotal role in shaping HR outcomes, possibly at the expense of fairness, objectivity, and organizational productivity.

Conclusion

The study concludes that organizational politics significantly influences performance appraisal decisions in oil and gas firms in Rivers State, Nigeria. Key political dimensions—loyalty, power coalition, and nepotism—have a measurable impact on decisions related to employee promotion, training, discipline, and transfer.

This indicates a systemic issue in the human resource practices of the sector, where non-merit-based factors shape the growth and development of employees. While some level of politics is inevitable in any organization, its unchecked presence can lead to demotivation, resentment, and a decline in organizational performance.

Recommendations

Based on the findings, the following recommendations are made:

1. Institutionalize Transparent Appraisal Systems: Oil and gas firms should adopt standardized, transparent, and merit-based performance appraisal systems with clearly defined criteria to minimize the influence of politics.
2. Establish Whistleblower Channels and Ethics Committees: Organizations should empower employees to report unfair practices through anonymous channels. Ethics committees should oversee all HR decisions to ensure fairness.
3. Training for HR Personnel and Managers: Continuous training should be provided to HR professionals and line managers on ethical performance management, avoiding bias, and fostering objective appraisals.
4. Discourage Nepotism and Favoritism: Policies should be enacted that prohibit favoritism in promotion or disciplinary actions. Recruitment and promotions should be based solely on qualifications, performance metrics, and competence.
5. Encourage Organizational Justice Culture: Firms should promote a culture where equity, fairness, and integrity guide all administrative processes. This will increase employee morale and trust in the system.

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