

**ASSESSMENT OF FACTORS AFFECTING IMPLEMENTATION OF  
PERFORMANCE APPRAISAL IN NATIONAL BANK OF KENYA**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT FOR THE  
REQUIREMENTS FOR THE DEGREE OF MASTER OF HUMAN  
RESOURCE MANAGEMENT OF THE OPEN UNIVERSITY OF  
TANZANIA**

**2015**

**CERTIFICATION**

The undersigned certifies that has read and hereby recommends for acceptance by the Open University of Tanzania the dissertation entitled “Assessment of Factors Affecting Implementation of Performance Appraisal in National Bank of Kenya.” in partial fulfillment of the requirements for the degree of Master of Human Resource Management of the Open University of Tanzania.

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Date

**DEDICATION**

I dedicate this project to my family for their patience, support and love. Without them, it would not have been possible. I thank them for their great support, guidance and encouragement throughout my academic journey.

## **ACKNOWLEDGEMENTS**

A research paper is never the work of anyone alone. The contributions of many different people, in their different ways, have made this possible. I wish to thank the Almighty God for giving me the gift of life to write this work, his grace and his everlasting love. I wish to express my gratitude to my supervisor Prof. Victor Matern for his professional guidance and constant motivation throughout. To my classmates whose presence offered me the psychological motivation and need to learn, to my employer for the time they have granted me to undertake my studies. Finally, I would like to express my gratitude to my family whose unconditional love has been my source of strength.

## ABSTRACT

Performance appraisal is a key human resource management function which is viewed as a subset of performance management. It is significant for organizational growth and development and is instrumental for an organization to remain competitive. Performance appraisal schemes at National bank of Kenya have not yielded the desired results; hence this study sought to assess the factors affecting implementation of performance appraisal in National bank of Kenya. The study employed the descriptive survey study design. The target population for this study was 156 employees of National Bank of Kenya, head office across key departments in the bank; Human Resource Management, Finance, Planning and Technical Departments. This study used primary data which collected through the use of questionnaires. SPSS was used to produce frequencies, descriptive and inferential statistics which were used to derive conclusions and generalizations regarding the study. Results indicated that evaluation process, reward system, attitude of employees and training of appraisers have a significant relationship with the implementation of performance appraisal in National bank of Kenya. The study concluded that there is a positive and significant relationship between training of appraisers, reward system and evaluation process and implementation of performance appraisal. The study also concluded that there is a negative and insignificant relationship between attitude of employees and implementation of performance appraisal. The study recommended that a National bank of Kenya and any other company implementing performance appraisal should take note of the evaluation process, reward system and training of appraisers as they impact positively on the success rate of the process.

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## **LIST OF ABBREVIATIONS**

HRM	Human Resource Management
NBK	National Bank of Kenya.
NSSF	National Social Security Fund
SPSS	Statistical Package for Social Sciences

## **CHAPTER ONE**

### **1.0 INTRODUCTION**

#### **1.1 Background of the Study**

The success of any organization depends on the quality and characteristics of its human capital embedded in its employees. Human capital is the single most important aspect of any successful organization as identified by Heckman (2000). This makes employee performance appraisal exercise important since it attempts to ensure some continuity of purpose by checking the validity of individual goals in terms of organizational goals. An appraisal system can promote effectiveness, job satisfaction and better manpower utilization. On the other hand it can promote organizational inefficiency, personal insecurity, distrust and conflict depending on how it is carried out.

The employees are a significant factor in any organization since they are the heart of the company. Organizations simply cannot achieve their goals and objectives without them. However, it is a fact that any employee for that matter needs something to induce them or to look forward to so that they are motivated to work at the best interest of the company. This indeed was indicative of the more strategic approach to Human Resource Management (HRM) policies which sought to connect the aims of the organization to the performance of the individual (Marchington and Wilkinson, 2005).

The organization's key aims, goals and objectives become an embedded part of the process in the performance management and communicated through the performance appraisal process (Marchington and Wilkinson, 2005). Kotter (2001) further states

that performance Management often includes performance appraisals. Performance management systems are employed “to manage and align” all of an organization’s resources in order to achieve highest possible performance. How performance is managed in an organization determines to a large extent the success or failure of the organization. Therefore, improving performance appraisals for everyone should be among the highest priorities of contemporary organizations.

Performance appraisal provides an important mechanism for management to use in clarifying performance goals and standards and for maintaining future individual performance. It is a key component in the personnel administration process of most companies and provides a basis for decisions affecting pay promotions, terminations, training, transfers and other employment conditions. (Oberg, 2006). Annual performance appraisals enable management gauge and monitor whether institutional standards, expectations and objectives, and delegation of responsibilities and tasks are achieved. Staff performance appraisals also establish individual training needs and enable organization to identify training needs analysis and planning.

The administration of performance appraisal should however be fair. The performance appraisal process can be a practical tool for employee motivation and development when employees perceive their performance appraisals as accurate and fair (Messer and White, 2006). Appraisal practices often include formal review and feedback sessions, and may include procedures for establishing work objectives, conducting self-appraisals, and setting performance goals. The processes inherent in these systems and the performance appraisal outcomes themselves can have an important influence on employees' reactions toward their work, their supervisors,



and their organization as a whole. The appraisal process can also become a source of frustration and extreme dissatisfaction when employees perceive that the appraisal system is biased, political or irrelevant (Skarlicki and Folger, 2007). This is to mean that, the implementation process of performance appraisal, is not a smooth journey, it is a process faced with challenges which must be overcome.

### **1.1.1 The Concept of Performance Appraisal**

In the field of modern Human Resource Management, the history of performance appraisal system can be traced way back to Taylor's pioneering Time and Motion studies in the early 20th century. But as a distinct and formal management procedure used in the evaluation of work performance, performance appraisal really dates from the time of the Second World War (1939-1945). It is an important tool in the management of human resources that is used to evaluate and rate the job performance of employees in any given organization (Dessler, 2011). The most distinct objective of any performance appraisal system is to enable an organization to achieve a sustainable performance by ensuring that employees are adequately motivated to carry out their responsibilities. The aims of appraisal according to Fajana (2002) are three fold: appraisal entails historical review of employees' performance; it is a means for distributing rewards as well as a means for determining training and development needs.

There are underlying assumptions during execution of performance appraisal. According to Reinke (2006) one of the most basic assumptions is that employees differ in their contribution to the organization because of individual performance, and that supervisors are actually able and willing to distinguish between employees.

Furthermore, for development purposes one assumes that accurate and timely feedback can change behavior in a way that the organization as well as the individual is profiting. Another assumed aspect is concerned with the practicality of performance appraisal: Time and costs for development and execution phases of the process do not outperform the organizational win which is reached by appraising. There are also some methodological assumptions that are made by those applying formal performance appraisals. The first is that equivalence exists. This means that the situations under which all appraisee's are evaluated and the ways different raters actually evaluate appraisee's are comparable. Second, there are uniformed interpretations of standard expectations and forms among raters. Furthermore, the rater must have the possibility of direct observation plus additional data as for example attendance rates.

As much as the performance appraisal system aims to improve the potential of the appraisee's, the implementation process is unfortunately not without flaws. Kondrasuk (2002) categorizes the problems as: the process and format, evaluators' role and problems involving the evaluatees. An example for the first category is the issue of perceived fairness which significantly influences performance appraisal system effectiveness. But if employees are confident in the fairness of performance appraisal process, they are more likely to accept performance ratings, even adverse ones (Roberts, 2003). The second category of problems deals with the evaluator role.

According to Kondrasuck (2002) these problems emerge in particular because of conflicting roles of being coach and judge at the same time, lack of rater training or personal bias as favouritism, subjectivity or leniency. The third category has mainly

to do with dissatisfaction with type and amount of feedback and uncomfortable feelings because of lack of control. Especially the way of feedback giving has the potential to arouse negative emotions which in turn negatively affect the acceptance of the performance appraisal system. This partially stems from the fact that performance appraisal has an impact upon an employee's sense of self-worth. Combined with the fact that employees tend to overrate their own performance and may feel resentful when receiving appraisals which are lower than they expected, this is an explanation why acceptance might be lowered. This can result in the undesirable closure of communication between leader and employee around the performance issue (Roberts, 2003).

### **1.1.2 The National bank of Kenya**

National Bank of Kenya is a private corporation offering financial services to the Kenya economy. The bank has been operational since its incorporation in 1968. According to the CBK banking supervision report (2014), National bank of Kenya is rated among the medium peer group banks with a market size index of 3.60% and has a 2.88% share of the banking sector market in Kenya. As at December 2013, National Social Security Fund(NSSF) and Kenya Ministry of Finance were the largest owners of National bank of Kenya at ownership of 48.05% and 22.50% respectively (NBK Audited Report,2013).

At the time of incorporation, the bank was full State Corporation. It was set up to help Kenyans get access to credit after gaining independence. The government reduced its shareholding for the first time in 1994 giving up 32% ownership stake equivalent to 40 million shares. Again in 1996, the government reduced its

shareholding in national bank by another 40 million. Currently the government owns 22.5% stake in national Bank. National Bank is a leading player in the financial services sector. The bank rebranded in 2013 changing its colors and logo from the traditional color green to yellow. The new bank's slogan is Bank on Better. NBK cannot be among the list of the top banks if its employees are not performing according to the set standards. It is necessary to evaluate the performance of the employees of National Bank of Kenya. For this reason there exists performance appraisal system in National Bank of Kenya which helps the management to know the difference between efficient and non-efficient employees.

## **1.2 Statement of the Problem**

Many organizations today are concerned with achieving high levels of performance through their employees. Performance appraisal could be triggered by low employee productivity and labor turnover, leading to work disruptions, loss of management control and increase in recruiting and placement costs in the past years. In view of increasing labor costs, together with general cost-price-squeeze, which is continually reducing the profitability of operations, in this situation, motivation of employees becomes increasingly important (Armstrong, 2006).

In the late nineties, National Bank of Kenya almost went down after a series of financial underperformance. Shareholders were paid dividends in the year 2011 for the first time after missing it for over a decade (NBK, 2014). The performance of the bank in Nairobi securities exchange has not been convincing either. In the year 2010, the top management of National Bank of Kenya came up with an enhanced appraisal system in order to gauge the performance of its workforce and ultimately improve on

its overall financial performance. (Toroitich, 2012). He further states that the introduced appraisal system did not have the impact it was projected to have.

The company still performs poorly and has not fully recovered from its previous crisis so as to try and catch up with the other top performing banks in Kenya. Currently; the human resource department of the bank has various levels of job entry into the bank. Appraisal follows as these new employees climb the ladder of promotions. The poor performance of appraisal might be traced to factors which have been influencing the effectiveness of the process since there is a link between effective performance, employees' professional development and the ultimate firm's goals and its mission. There is need to critically analyze the process of performance appraisal at National bank of Kenya, especially given the dismal success of the performance appraisal system evidenced by the reflections in overall poor performance and frequent revisions of recruitment system.

Is it the evaluation process, training of appraisers, attitude of employees or reward system which hinders effective implementation of performance appraisal at National bank of Kenya? The success of any appraisal system is dependent on the factors that affect the system regardless of the method used. This therefore called for a need to establish the factors affecting implementation of performance appraisal in National bank of Kenya. Establishing these factors is expected to help the management of the bank to improve not only on the appraisal system but also on employee performance. That will ultimately lead to improvement on the overall performance of the bank. The study therefore sought to investigate the factors affecting implementation of performance appraisal in National bank of Kenya.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objective**

The general aim of the study was to assess the factors affecting implementation of performance appraisal in National Bank of Kenya.

#### **1.3 Specific Objectives**

1. To establish the nature of the performance appraisal system that is being implemented in National Bank of Kenya
2. To investigate the factors which affect the implementation of performance appraisal in National bank of Kenya
3. To find ways in which the performance appraisal system can be improved.

#### **1.4 Research Questions**

1. What is the nature of the performance appraisal system that is being implemented in National Bank of Kenya?
2. What are the factors which affect the implementation of performance appraisal in National bank of Kenya
3. In what ways should the performance appraisal system be improved?

#### **1.5 Relevance of the Study**

The research examined the factors that affect implementation of performance appraisal in National bank of Kenya. This study is expected to be of value to the management of National bank of Kenya. Understanding of factors affecting implementation of performance appraisal schemes in the bank is expected to lead to development of a good performance appraisal system which will assist the bank in

succession planning, identifying gaps in human resources planning, ensuring organization's and individual's objectives are in harmony, improving communication and performance.

The human resource policies and procedures need to be closely linked so as to contribute to the achievement of objectives and strategic plans. The study is expected to be important to the management of other organizations as they will understand the factors affecting implementation of performance appraisal schemes and hence put in place corrective measures which will be useful to improve the situation involving staff performance appraisal and employees' performance so as to achieve the organization's effectiveness. The study findings are valuable to the researcher who is a human resources practitioner and other practitioners in that it will expand their know-how on matters concerning performance appraisal and help them devise ways of employees accepting the process of performance appraisal.

### **1.6 Organization of the proposal /Road Map to the reader**

This chapter was an introduction of the research proposal and defined the background of the study and the statement of the problem. It followed further by briefly stating the purpose of the research work. The chapter also showed the research questions that were used to guide the study as well as examine the various factors responsible for the existing problem and the justifications of the study. The next chapter highlights the literature of the study topic while Chapter three discusses the methodology which was used for this specific study.

## **CHAPTER TWO**

### **2.0 LITERATURE REVIEW**

#### **2.1 Introduction**

The chapter presents the theoretical framework. The theoretical framework captures the various theories that inform the study. The chapter also presents the empirical literature review. In the empirical literature review, the findings are critiqued to establish the knowledge gaps. The chapter bases its argument on information retrieved from books, journals, research papers, web articles, conference proceedings and session papers. A conceptual framework shows the relationship between independent and dependent variables.

#### **2.2 Definition of Terms and Concepts**

##### **2.2.1 Performance appraisal**

Performance has been regarded by various scholars as the "accomplishment, execution, carrying-out, and working out of anything ordered or undertaken". Armstrong (2003) argues that performance is a matter not only of what people achieve, but how they achieve it. He further defines performance management as a strategic and integrated process that delivers sustained success to organizations by improving the performance of people who work in them, and by developing the capabilities of individuals and teams.

Performance Management is about the arrangements organizations make to get the right things done successfully. The essence of Performance Management is the organisation of work to achieve optimum' results and this involves attention to both process and people. When it is used well, performance management would



contribute to organisation success, and as such, is a vital management function (Radnor and McGuire, 2004). Performance management involves performance appraisal.

A performance appraisal is an instrument used by organizations to evaluate the performance of their employees in terms of quality, quantity, cost and time. There are numerous definitions of it, not all of which will be listed here. Presenting a few of them will suffice to show the variety: 'Performance appraisal is a process in which humans judge other humans', and 'performance appraisal is a basis of making personnel decisions and of the effectiveness of using pay to improve performance' Grote (2002) argues that performance appraisal is the assessment and discussion of an employee's performance on assigned duties and responsibilities. The appraisal is based on results obtained by the employee in his/her job.

Pathania, Kumar and Pathak (2011) state that performance appraisal is primarily used as a device to measure the standards set by the management of its employees. It entails a process of assessing, summarizing and developing the work of an employee on both qualitative as well as quantitative terms. Normally, immediate senior or some expert does the performance appraisal of an employee using various rating systems employed in order to recognize the potentials and deficiencies of an employee. Performance appraisal has been considered as the most significant and indispensable tool of an organization. It is highly useful in making decisions regarding various personal aspects such as promotion and merit increase. Performance measures also link information gathering and decision-making process that provide a basis for judging the effectiveness of personnel's functions.

### **2.2.2 Performance Methods**

The three most common appraisal methods in general use are rating scales, essays and result-based appraisals. With rating scales, an employee attribute is rated on a bipolar scale that usually has several points ranging from 'poor' to 'excellent'. The attributes assessed on these scales may include cooperation, the ability to communicate, initiative, punctuality and technical competence. With respect to the essay methods, raters write an essay evaluating their ratees. The essay describes strengths and weaknesses in job performance. It also suggests remedies for identified problems. (Elverfeldt, 2005).

With results-based appraisal, the rater and ratee establish objectives on which the evaluation will be based and jointly carry out the appraisal. The ratee will usually self-audit first and then the assessment of the rater follows. In this type of appraisal, goal-setting is an important element because goals can stimulate employee effort, focus attention, increase persistence, and encourage employees to find new and better ways to work. While carrying out the appraisal, it is important that the rater is well informed and credible. Raters should feel comfortable with the techniques of appraisal, and should be knowledgeable about the employee's job and performance. Results-oriented performance measurements seek to measure employee performance by examining the extent to which predetermined work objectives have been met (Mitala, 2006).

## **2.3 Theoretical Literature Review**

### **2.3.1 Goal Setting Theory**

Goal-setting theory is summarized regarding the effectiveness of specific, difficult

goals; the relationship of goals to affect; the mediators of goal effects; the relation of goals to self-efficacy; the moderators of goal effects; and the generality of goal effects across people, tasks, countries, time spans, experimental designs, goal sources (i.e., self-set, set jointly with others, or assigned), and dependent variables. (Locke and Latham, 2006). Goal-setting theory is relevant to the questions raised in Human Performance System such as; “do performance standard exist?” According to the theory, difficult and specific goals lead to higher performance when compared to vague *do-your-best goals* (Locke and Latham, 2002). Studies by Locke and Latham (2002) have shown that more specific and ambitious goals lead to more performance improvement than easy or general goals. As long as the person accepts the goal, has the ability to attain it, and does not have conflicting goals, there is a positive linear relationship between goal difficulty and task performance.

Locke and Latham (2002) indicate three moderators which indicate goal setting success; the importance of the expected outcomes of goal attainment, Self-efficacy (one's belief that they are able to achieve the goals and commitment to others (promises or engagements to others can strongly improve commitment)). They further state that level of commitment is influenced by external factors such as the person assigning the goal, setting the standard for the person to achieve/perform. This influences the level of commitment by how compliant the individual is with the one assigning the goal.

An external factor can also be the role models of the individual. Say if they strive to be like their favorite athlete, the individual is more likely to put forth more effort to their own work and goals. Internal factors can derive from their participation level in

the work to achieve the goal. What they expect from themselves can either flourish their success, or destroy it. Also, the individual may want to appear superior to their peers or competitors. They want to achieve the goal the best and be known for it. The self-reward of accomplishing a goal, is usually one of the main keys that keep individuals committed (Locke and Latham, 2002).

Locke and Latham (2006) argue that it is not sufficient to urge employees to "do their best". "Doing one's best" has no external referent, which makes it useless in eliciting specific behavior. To elicit some specific form of behavior from another person, it is important that this person has a clear view of what is expected from him/her. A goal is thereby of vital importance because it helps an individual to focus his or her efforts in a specified direction. In other words, goals canalize behavior. On expansion of the theory, Skinner, Roche, O'Connor, Pollard and Todd (2005) stated that without proper feedback channels it is impossible for employees to adapt or adjust to the required behavior.

Managers should keep track of performance to allow employees to see how effective they have been in attaining their goals. Providing feedback on short-term objectives helps to sustain motivation and commitment to the goal and without it, goal setting is unlikely to be successful. Feedback should be provided on the strategies followed to achieve the goals and the final outcomes achieved, as well. Feedback on strategies used to obtain goals is very important, especially for complex work, because challenging goals put focus on outcomes rather than on performance strategies, so they impair performance.

## **2.4 Empirical Literature Review**

Hedge and Teachout (2000) conducted a study to examine the predictors of acceptability of performance appraisal by employees and supervisors. The study found out that the evaluation process, especially the aspect of trust is critical for the success of the process. The study found out that trust associated with other raters, the appraisal process, and the researchers were all significant predictors of appraisal acceptability for both job incumbents and supervisors.

Similarly, Mani (2002) carried out a study to examine employee attitudes related to appraisal. The study established that trust in supervisors was important for determining satisfaction with the appraisal system. Execution of performance appraisal and the evaluation process means that underlying assumptions to performance appraisal exist. Davis and Landa (1999) in their study found out that, during the evaluation process, the absence of fair procedures increases distress because the results of performance appraisal are essentially outside the control of the employee.

Beletskiy (2011) asserts that the way as well as the frequency of conducting performance appraisal in an entity determines the appraisal effectiveness. For instance, the nature of design characteristics used influences employees' perception on the process of performance appraisal. This influences the visibility, validity and fairness of performance appraisal practices thus affecting the effectiveness of the appraisal in determining performance standards, core competences, and communicating the standards and competencies to employees.

A study was conducted to investigate what individuals considered as the most decisive factor in a 'particularly fair or unfair performance evaluation'. The study used an open-ended questionnaire. The findings from the study by Greenberg (2006) revealed that well trained appraisers have the ability to make an accurate evaluation of subordinate's performance. This results to as an important influence on fairness perceptions. Training of appraisers has an effect on effectiveness of performance appraisal. It should explain how the judges interpret any normative data that they are given. Because errors are well-ingrained habits. Tziner and Kopelman (2002) state that extensive training is necessary for avoiding such errors. Therefore, the training should provide trainees with broad opportunities to practice the specified skills, provide trainees with feedback on their practice appraisal performance, and that a comprehensive acquaintance with the appropriate behaviours to be observed.

Kemunto (2013) conducted a study on Perceived Factors Affecting the Effectiveness of Performance Appraisal at the Teachers' Service Commission. Her study found out that there are seven main factors that affect the effectiveness of performance appraisal at TSC. They include: Lack of knowledge of appraise, Lack of clarity on the parameters used, Lack of communication to enhance feedback on performance, Lack of feedback, Personal differences between appraisers and appraise, Modern and complicated appraisal systems and Collective responsibility in organizational activities.

Boswell and Boudreau (2000) observe that the attitude of employees about the performance appraisal practices determines the effectiveness of the appraisal process. The staffs' perceptions of fairness of the appraisal practices are very critical

aspects that contribute to effectiveness of the performance process. In scenarios where the performance practices are seen and believed to be partial and extraneous, subordinates become dissatisfied with the performance appraisal process. Given that subordinates' reaction to performance appraisal practices plays a significant role in the acceptance and effectiveness of the performance appraisal process, severe dissatisfaction and perceptions of unfairness and inequality in the ratings may lead to the failure of performance appraisal.

In an attempt to understand the performance appraisal in Uganda's civil service, Karyeija (2010) conducted a study to investigate the effect of administrative culture on effectiveness of performance appraisal. The study found out that large power distance, strong uncertainty avoidance, high ethnicity and political neutrality are the main hindrance to effective implementation of performance appraisal in Uganda. Muketha (2012) conducted a study to investigate the factors influencing performance appraisal process in Kenya Methodist University. The findings from the study led to the recommendations that appraisers should be trained on how to conduct performance appraisal. The study also recommended that the appraiser's recommendations on their appraisees should not be varied by the Appraisal panel committee unless there are glaring cases of oversight by the appraisers.

Evaluators' liking of appraised subordinates as well as the attributions concerning their behaviors, mediates the relationship between employees and the performance appraisal raters' reward decisions. Subsequently, this affects the effectiveness of the performance appraisal practices in an entity. (Johnson et al, 2002). Onyango (2013) conducted a study on factors affecting employee perception of performance appraisal

process at National Housing Corporation. The scope of the study was the Employees of the National Housing Corporation. The study used a structured questionnaire to collect the data. The study found out that some of the factors that affected employees' perception of the performance appraisal process at the National Housing Corporation included the fact that feedback during the appraisal process was not sufficiently accurate, performance appraisals were only done periodically, there was favoritism and nepotism by raters who were not well trained, setting of unrealistic targets, poor reward system and failure to implement supervisors appraisal recommendations.

Gabris and Ihrke (2001) explored the extent of the frustration encountered during an appraisal process. They studied an organization with a quarterly performance appraisal system. The study found out that the factors which affect the process are the evaluation process, feedback, supervisory bias from the appraisers and supervisory system. Kiruja (2008) investigated the factors that affected performance contracting method used in the civil service. Kiruja's research investigated whether performance appraisal tools, employee involvement in setting their own standards and obtaining feedback affected performance appraisal of staff in the ministry of Education in Nairobi province.

The target population of the study was civil servants in the ministry of Education Nairobi province. The study cited delay in receiving the appraisal forms which in turn delayed the whole process of appraisal and lack of feedback as one of the factors that contributed to ineffectiveness in performance appraisal of civil servants within the ministry. The study also cited the frequent inter-ministerial or



interdepartmental or geographical transfer as one of the factors that affected the monitoring of performance over a given period of time.

## **2.5 Research Gap**

From empirical studies, research gaps emerge and the current study sought to fill them. The study by Hedge and Teachout (2000) to examine the predictors of acceptability of performance appraisal by employees and supervisors presented contextual gap because it was not conducted in Kenya. The study also presented conceptual gaps since it did not focus on the same variables which the current study will focus on. Similarly the study by Mani (2002), Davis and Landa (1999) also presented conceptual gaps as they focused on different variables from the current study.

The study by Greenberg (2006) presented both contextual, methodological and conceptual gaps which the current study will seek to fill. There is a contextual gap since the geographical area is different from the current study. The study presented a methodological gap by using open ended questionnaires while the current study will use structured questionnaires. The study variables in the study are not similar to the ones in the current study. The study by Kemunto (2013) filled the contextual gaps that exist in the field of performance appraisal studies in Kenya. The study however failed to fill this gap fully as it was conducted at the Teachers service commission while the current study will be conducted at National Bank of Kenya.

Muketha (2012) conducted a study to investigate the factors influencing performance appraisal process in Kenya Methodist University. The findings from the study led to

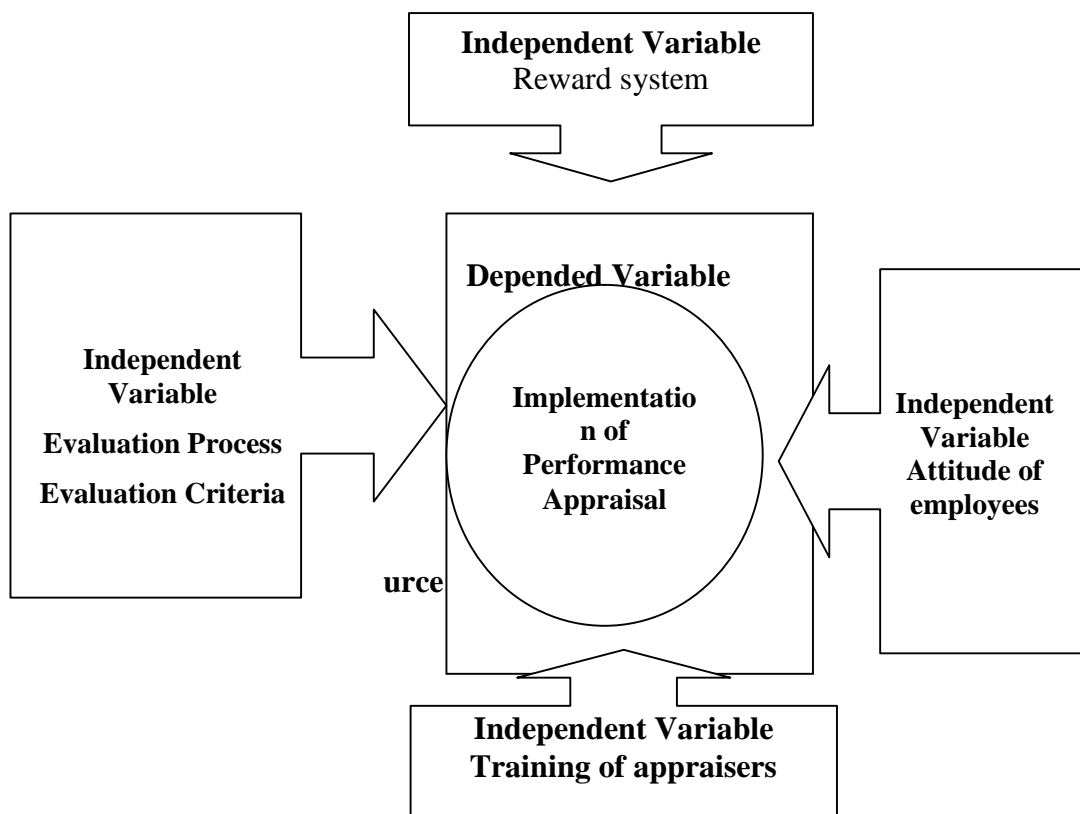
the recommendations that appraisers should be trained on how to conduct performance appraisal. The study also recommended that the appraiser's recommendations on their appraisees should not be varied by the Appraisal panel committee unless there are glaring cases of oversight by the appraisers.

Evaluators' liking of appraised subordinates as well as the attributions concerning their behaviors, mediates the relationship between employees and the performance appraisal raters' reward decisions. Subsequently, this affects the effectiveness of the performance appraisal practices in an entity (Johnson et al, 2002). Studies by Onyango (2013) and Kiruja (2008) were conducted in Kenya thus filling the contextual gaps but presenting conceptual gaps since they investigated different variables from what the current study will seek to investigate. The current study sought to fill the existing contextual, conceptual and methodological gaps presented by previous studies as shown in the empirical reviews. Few studies have been conducted in Kenya on factors affecting implementation of performance appraisal schemes and specifically studies on National Bank of Kenya are scarce. The current study sought to fill this gap.

## **2.6 Conceptual and Theoretical Framework**

According to Kombo and Tromp (2009), a concept is an abstract or general idea inferred or derived from specific instances. A conceptual framework is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation. Mugenda and Mugenda (2003) define a conceptual framework as a hypothesized model identifying the model under study and the relationship between the dependent and independent variables. Kothari (2004)

defines an independent variable also known as the explanatory variable as the presumed cause of the changes of the dependent variable, while a dependent variable refers to the variable which the researcher wishes to explain. The goal of a conceptual framework is to categorize and describe concepts relevant to the study and map relationships among them. The current study has four independent variables: evaluation process, training of appraisers, attitude of employees and reward system while the dependent variable is implementation of performance appraisal.



**Figure 2.1 Conceptual Framework**

## **CHAPTER THREE**

### **3.0 RESEARCH METHODOLOGY**

#### **3.1 Overview**

The purpose of this study was to assess the factors affecting implementation of performance appraisal in National bank of Kenya. This chapter presents a review of the research methodology. Specifically, the chapter discusses the methods and procedures used in the research. These includes, research philosophy, paradigm, design, the population of the study, the sample size, the sample design, the data collection, data collection instruments, research procedure, ethics and the data analysis approach to be taken.

#### **3.2 Research Philosophy**

The research philosophy must be stated in order to convince others of the credibility of the research. Based on the concept of study and nature of different research philosophies, the study opted for a positivistic epistemology. Under the positivistic philosophical approach, we will set up the hypotheses on the basis of the existing relevant theories (Remenyi, Williams, Money and Swartz, 2005). Then these hypotheses will be tested and confirmed or disapproved by quantitative and statistical methods in order to answer the research objectives and accomplish the research purposes. Remenyi, Williams, Money and Swartz (2005) claimed the final result of such research can be applicable through the positivist approach.

The results of this study will be applicable for emerging and the underdeveloped markets. The principles of positivism include; an observable social reality is preferred to be studied and only observable phenomena produce credible data

(Saunders, Lewis and Thornhill (2009); Remenyi, Williams, Money and Swartz (2005). The purpose of theory is to generate hypotheses that can be tested, the role of research is to test theories and to provide material for the development of laws (Bryman and Bell, 2007), research should be conducted in a way that is value free-in and objective (Saunders ,Lewis and Thornhill (2009); Bryman and Bell, 2009) , the researcher is independent and should neither affect nor be affected by the subject of research ,the end product of research is aimed to be law, like generalizations similar to those that are produced by natural scientists, and positivism emphasizes quantifiable observations that are used for statistical analysis (Remenyi, Williams, Money, and Swartz (2005).

### **3.3 Research Strategies**

Research design refers to how data collection and analysis are structured in order to meet the research objectives through empirical evidence economically (Chandran, 2008). According to Cooper and Schindler (2007) research design is the plan and structure of investigation so conceived as to obtain answers to research questions. The study used a descriptive survey design. Descriptive design was used because focuses on complex analysis to bring out the correlation of variables. Causal relationship seeks to establish how one variable affects changes in another. This is to focus on understanding, explaining, predicting and controlling relationships between variables. This is consistent with Olusola et al, (2013) who explains that a descriptive design is described as a method of collecting information by interviewing or administering a questionnaire to a sample of individuals and is appropriate as it answers research questions who, what, where, when and how is the problem.

### 3.4 Survey Population

According to Kombo and Tromp (2006) population is a group of individuals, objects or items from which samples will be taken for measurement or it is an entire group of persons, or elements that have at least one thing in common. The target population for this study was 156 employees of National Bank of Kenya, head office from key departments in the bank; Human Resource Management, Finance, Planning and Technical Departments.

### 3.5 Sampling Design and Procedures

A sample design is the architecture or the strategy used to select study participants or respondents (Kothari, 2004). Sampling refers to the systematic selection of a limited number of elements out of a theoretically specified population of elements. The rationale is to draw conclusions about the entire population. According to Kothari (2004), the ultimate test of a sample design is how well it represents the characteristics of the population it purports to. The reason for sampling in this study was to lower cost, accessibility of study population and the greater speed of data collection. This method helped to achieve gain in precision, flexible in the choice of the sample design for different strata and finally one is able to get estimates of each stratum in addition to the population estimate (Kothari, 2004).

The sample for this study was determined using the formula given as;

$$n = Z^2 * p * (1-p) / d^2$$

$$n = (1.96)^2 * (0.5)(0.5) / (0.10)^2$$

The final sample size was 96 employees sampled across all the departments in the bank.

### **3.6 Methods of Data Collection**

Data collection refers to the process of gathering raw and unprocessed information that can be processed into meaningful information, following the scientific process of data analysis (Gall, Gall and Borg, 2007). Primary data is collected or obtained from the original sources. It is first hand information collected by an individual group or organization. The resulting data is usually referred to as raw data meaning it has not been re-organized and cleaned. Primary data was obtained from questionnaires. Closed ended questions were preferred since they enhance uniformity of responses.

### **3.7 Validity and Reliability of Data**

#### **3.7.1 Instrument Reliability**

Reliability refers to the repeatability, stability or internal consistency of a questionnaire. Cronbach's alpha will be used to test the reliability of the measures in the questionnaire (Cronbach, 1995). In this study, data collection instrument which is a questionnaire was tested on 5% of the sample of the questionnaires to ensure that it is relevant and effective. Reliability was tested using questionnaire duly completed by ten (10) randomly selected respondents. These respondents were not included in the final study sample in order to control for response biasness.

The questionnaire responses were input into statistical package for social sciences (SPSS) and Cronbach's alpha coefficient generated to assess reliability. The closer Cronbach's alpha coefficient is to 1, the higher the internal consistency reliability. A coefficient of 0.7 is recommended for a newly developed questionnaire.

### **3.7.2 Instrument Validity**

Validity refers to whether a questionnaire is measuring what it purports to measure ( Bryman and Cramer, 1997). Validity is described as the degree of congruence between the explanations of the phenomena and the realities of the world. This study used construct validity where the questionnaire was divided into several sections to ensure that each section assessed information for a specific objective, and also ensured that the same closely ties to the conceptual framework for this study. On the basis of the evaluation, the instrument was adjusted appropriately before subjecting it to the final data collection exercise.

### **3.8 Data Processing and Analysis**

Data analysis is a practice in which raw data is ordered and organized so that useful information can be extracted from it (Gall, Gall and Borg, 2007). Descriptive statistics such as, mean and frequencies were used to perform data analysis. After data was collected through questionnaires, it was prepared in readiness for analysis by editing, handling blank responses, coding, categorizing and keying into statistical package for social sciences (SPSS) computer software for analysis. SPSS was used to produce frequencies, descriptive and inferential statistics which were used to derive conclusions and generalizations regarding the population. The particular descriptive statistics were frequencies, mean scores and standard deviation. The particular inferential statistic was regression and correlation analysis. The analysis of variance (ANOVA) was also checked to reveal the overall model significance. A critical p value of 0.05 was used to determine whether the overall model was significant or not.



**Table 3.1: Variables and Measurement Procedure**

<b>Variable</b>	<b>Measurement</b>
Evaluation Process	<ul style="list-style-type: none"> <li>• Frequency of conducting the evaluation</li> </ul>
Training of appraisers	<ul style="list-style-type: none"> <li>• Number of training sessions attended by appraisers</li> <li>• The number of times the company uses trained appraisers in the evaluation process</li> </ul>
Reward system	<ul style="list-style-type: none"> <li>• Frequency of reviewing the reward system</li> </ul>
Attitude of employees	<ul style="list-style-type: none"> <li>• Tendencies of participation in performance appraisal exercises by employees</li> </ul>
Implementation of performance appraisal	<ul style="list-style-type: none"> <li>• The number of times the scheme is implemented</li> </ul>

A multiple linear regression model was used to link the independent variables to the dependent variable as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$$

Where;

Y = Implementation of performance appraisal

X<sub>1</sub> = Evaluation process

X<sub>2</sub> = Reward system

X<sub>3</sub> = Attitude of employees

X<sub>4</sub> = Training of appraisers

In the model,  $\beta_0$  = the constant term while the coefficient  $\beta_i$   $i = 1 \dots 4$  was used to measure the sensitivity of the dependent variable (Y) to unit change in the predictor variables X<sub>1</sub>, X<sub>2</sub>, X<sub>3</sub> and X<sub>4</sub>, .  $\mu$  is the error term which captures the unexplained variations in the model (Olusola et. al, 2013)

### **3.10 Limitations of the Study**

The main limitation was lack of enough funds to increase the study sample and also limited time available for the study. Other limitations were mitigated by the use of techniques of social science research.

### **3.11 Chapter Summary**

The chapter discusses the steps that will be taken during data collection. The study opts for a positivistic epistemology since the challenge notion is the relation between variables (cause and effect). The strategies for inquiry were quantitative. Descriptive study design was adopted. Primary data was collected or obtained from the original sources using structured questionnaires designed in a 5-point type Likert scale. Cronbach's alpha was used to test the reliability of the measures in the questionnaire. SPSS V 20.0 was used for data analysis to capture descriptive statistics such as, mean and frequencies and inferential statistic which is regression analysis. The analysis of variance (ANOVA) was checked to reveal the overall model significance. The individual regression coefficients were checked to see whether the independent variables are significantly related to dependent variable. In this research three principles of ethics were used namely beneficence, respect for human dignity as well as justice. The chapter also presents the variable measurement. The next chapter , (Chapter 4) deal with the analysis and presentation of the data.

## CHAPTER FOUR

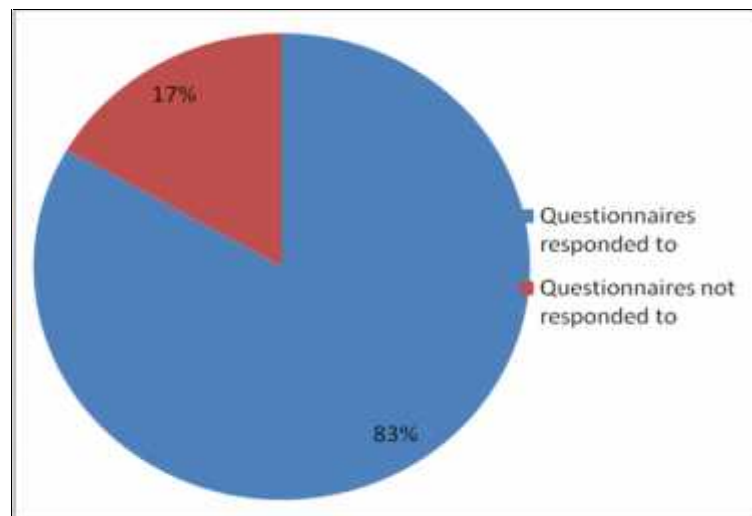
### 4.0 DATA ANALYSIS, RESULTS PRESENTATION AND DISCUSSIONS

#### 4.1 Introduction

This chapter contains analysis of data collected for the study. It also contains results presentation for this study; the results were presented in forms of figures and tables. Figures were used to present results on demographics while tables were used to show results on descriptive and inferential analysis.

#### 4.2 Response rate

Figure 4.1 indicates the response rate of the study.



**Figure 4.1 Response Rate**

The number of questionnaires that were administered was 96. A total of 80 questionnaires were properly filled and returned. This represented an overall successful response rate of 83% as shown on Figure 4.1. According to Mugenda and Mugenda (2003) and also Kothari (2004) a response rate of 50% is adequate for a descriptive study. Babbie (2004) also asserted that return rates of 50% are acceptable

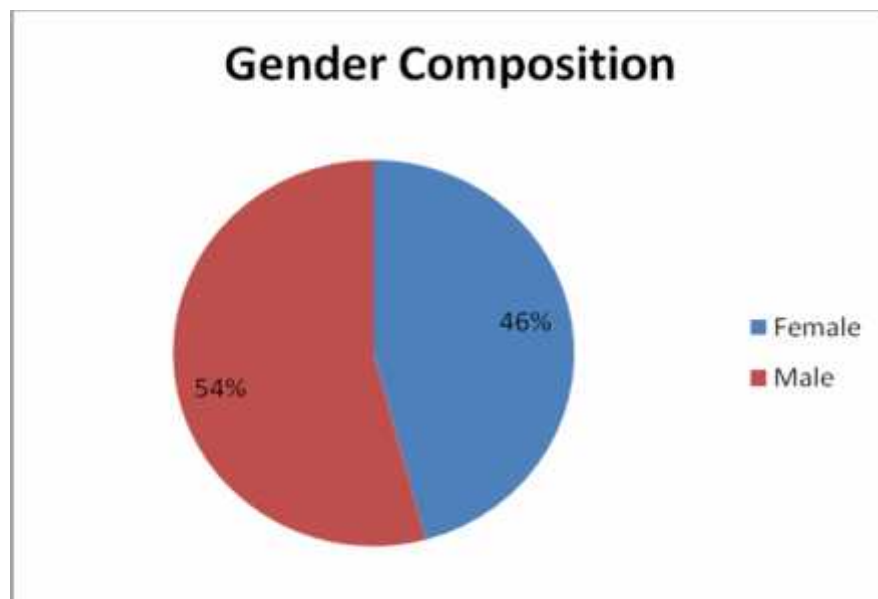
to analyze and publish, 60% is good and 70% is very good. Based on these assertions from renowned scholars 83 % response rate is adequate for the study.

### 4.3 Demographics Analysis

This section contains results on demographic analysis which include; Gender, Position of respondents in the bank, Level of education and duration of the respondents in the bank. It shows the demographic characteristics of the respondents.

#### 4.3.1 Gender Composition of Respondents

The study sought to establish the gender spread of respondents. The results are as shown in Figure 4.2.

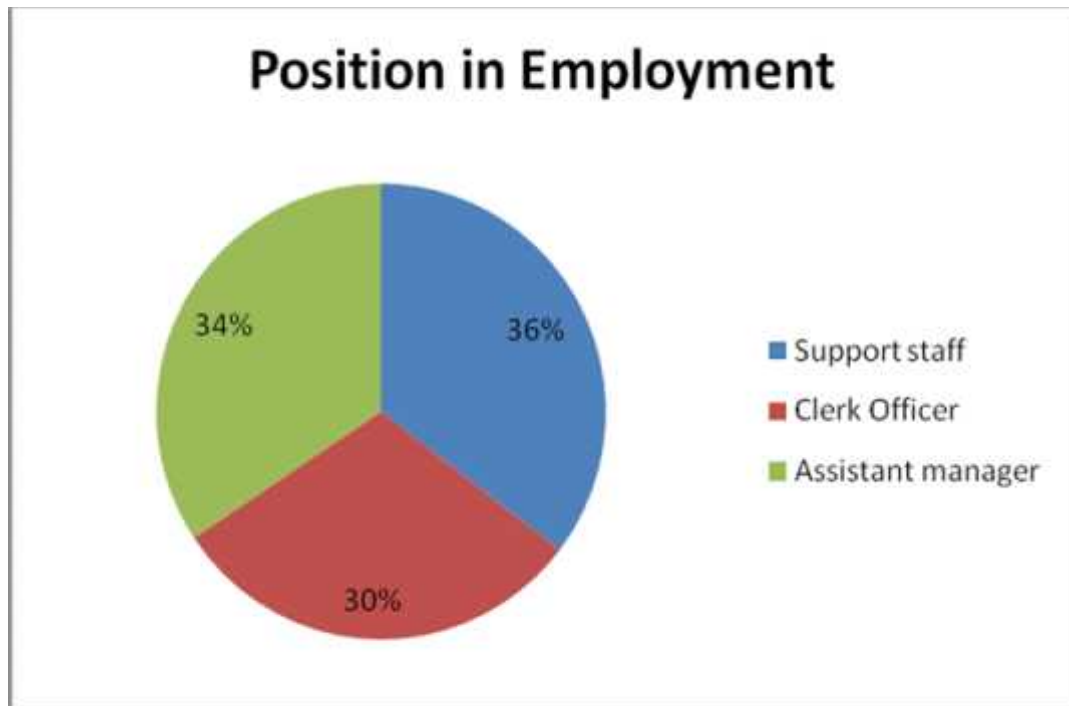


**Figure 4.2: Gender**

Results on Figure 4.2 show that majority of the respondent as shown by a percentage of 54% were male whereas 46% of the respondents were females. Thus there was a significant gender disparity amongst the respondents and the indication is that National bank of Kenya has a male dominated work environment.

### 4.3.2 Position in Employment

The respondents were asked to indicate their position in employment. The results are as indicated in the Figure 4.3.

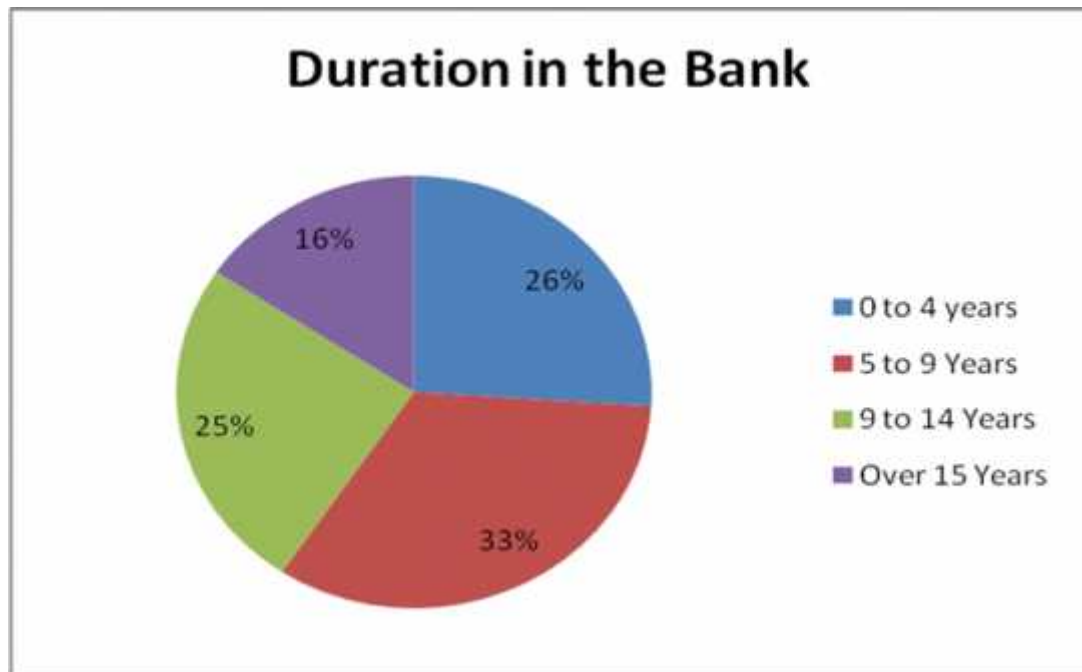


**Figure 4.3: Position in the Company**

Results in Figure 4.3 shows that a majority, 36% of the respondents indicated that they were customer support staff, 34% of the respondents were Assistant managers and the least participants were clerk officers. This is an implication of an ideal ratio of employees in each department at National Bank of Kenya.

### 4.3.3 Years of Employment in the Company

The respondents were asked to indicate the number of years they had worked with National bank of Kenya. The results are as indicated in Figure 4.4.

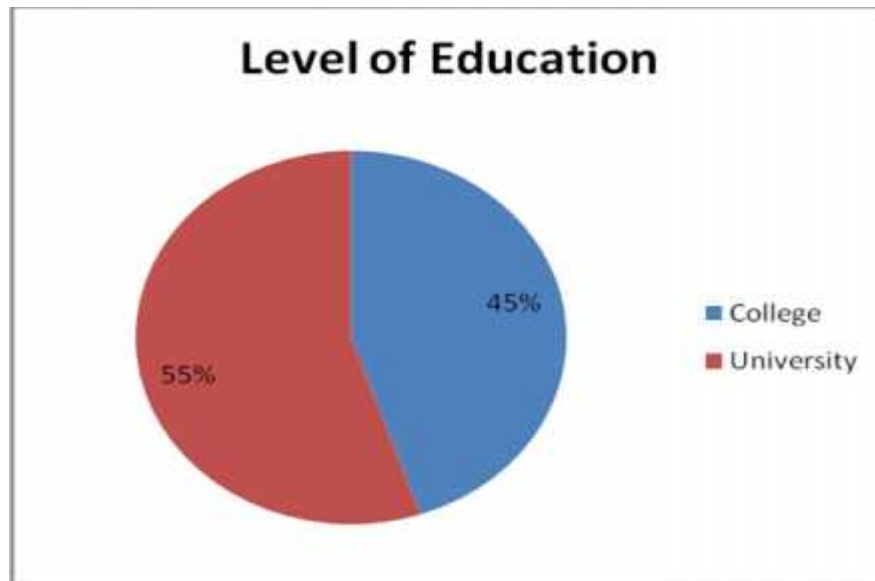


**Figure 4.4 Duration in the Company**

Figure 4.4 shows that majority, 33% of the respondents indicated that they had worked with National bank of Kenya for a period of between 5 to 9 years, 26 % of the respondents indicated they had worked with National bank of Kenya for a period less than 4 years, 25 % of the respondents had worked in the bank for a period between 9 to 14 years while the remaining percentage, 16% had worked for over 15 years. In addition, the implication of the largest range being 5-9 years is that the rate of turnover and retrenchment at National bank of Kenya is low.

#### **4.3.4 Level of Education**

The study further sought to establish the education level of the respondents. The responses are as summarized in Figure 4.5.



**Figure 4.5: Education**

A majority, 55 % of the respondents reiterated that they had acquired University education while 45 % of them had college education. This implied that the respondents had attained higher education.

#### **4.4 Descriptive Findings and Analysis**

##### **4.4.1 Implementation of Performance appraisal in National Bank of Kenya**

The study sought to find out the level of respondent's opinion on implementation of performance appraisal in the National bank of Kenya. The summary of responses is as shown in Table 4.1.

Results on Table 4.1 show that majority 62.50% of all the respondents felt that the company appraises its staff frequently and also the company uses modern and non complex methods during the implementation of performance appraisal , 57.3% of all the respondents indicated that there are guidelines provided which guide the appraisal process, 63.50% of all the respondents indicated the company has set

targets for the employees within which they evaluate them while 66.70% of all the respondents indicated that the implementation of performance appraisal process is just and fair.

**Table 4.1: Implementations of Performance Appraisal in National Bank of Kenya**

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total			
						Total %	Mean	Std. Dev.	
The company appraises its staff frequently	8.3%	15.6%	13.5%	29.2%	33.3%	100 %	3.64	1.31	
The company uses modern and non complex methods during the implementation of performance appraisal	11.5%	13.5%	12.5%	29.2%	33.3%	100 %	3.59	1.37	
There are guidelines provided which guide the appraisal process	14.6%	14.6%	13.5%	27.1%	30.2%	100 %	3.44	1.43	
The company has set targets for the employees within which they evaluate them	10.4%	12.5%	13.5%	28.1%	35.4%	100 %	3.66	1.35	
The implementation of performance appraisal process is just and fair.	10.4%	11.5%	11.5%	29.2%	37.5%	100 %	3.72	1.35	
<b>Average</b>								<b>3.61</b>	<b>1.36</b>

The average mean of the responses indicated from the results was 3.61 which show that the respondents were agreeing on most of the statements while the standard deviation was 1.36 which indicates that the answers received were varied as they were dispersed far from the mean.



#### 4.4.2 Evaluation process

The study also sought to find out the level of respondent's opinion on evaluation process. The summary of responses is as shown in Table 4.2.

**Table 4.2 Evaluation process**

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total		
						Total	Mean	Std. Dev
The evaluation methods used are fair in measuring my performance	11.5%	16.7%	12.5%	21.9%	37.5%	100.0%	3.57	1.43
Periodic performance rating has an impact on the performance of employees	8.3%	11.5%	19.8%	30.2%	30.2%	100.0%	3.63	1.26
The evaluation methods used are designed with inputs from the employees and their representatives	9.4%	17.7%	14.6%	20.8%	37.5%	100.0%	3.59	1.39
The frequency of evaluation process should be increased.	8.3%	15.6%	21.9%	27.1%	27.1%	100.0%	3.49	1.27
<b>Average</b>							<b>3.57</b>	<b>1.34</b>

Results on Table 4.2 show that 59.4% of all the respondents felt that the evaluation methods used are fair in measuring their performance, 60.4% of all the respondents indicated that periodic performance rating has an impact on the performance of employees, 59.3% of all the respondents indicated that the evaluation methods used are designed with inputs from the employees and their representatives while 54.20% of all the respondents agreed that the frequency of evaluation process should be increased. The average mean of the responses indicated from the results was 3.57 which show that the respondents were agreeing on most of the statements while the

standard deviation was 1.34 which indicates that the answers received were varied as they were dispersed far from the mean.

#### 4.4.3 Training of Appraisers

The study also sought to find out the level of respondent's opinion on training of appraisers. The summary of responses is as shown in Table 4.3.

**Table 4.4: Training of Appraisers**

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total			
						Total %	Mean	Std. Dev.	
The company always engages trained appraisers every time the appraisal process is conducted	16.7%	17.7%	11.5%	30.2%	24.0%	100.0 %	3.27	1.43	
Trained appraisers make an accurate evaluation of the performance appraisal results.	11.5%	6.3%	18.8%	26.0%	37.5%	100.0 %	3.72	1.34	
The use of trained appraisers results to fairness in the process	17.7%	11.5%	18.8%	29.2%	22.9%	100.0 %	3.28	1.40	
Training appraisers reduces variations in recommendations on the appraised by the appraisal panel committee hence increasing confidence in the process.	9.4%	11.5%	18.8%	30.2%	30.2%	100.0 %	3.60	1.29	
Use of trained appraisers increases trust between appraiser and appraised	13.5%	7.3%	17.7%	26.0%	35.4%	100.0 %	3.63	1.39	
<b>Average</b>								3.50	1.37

Results on Table 4.3 indicate that 54.2% of all the respondents felt that the company always engages trained appraisers every time the appraisal process is conducted, 63.5% of all the respondents agreed that trained appraisers make an accurate evaluation of the performance appraisal results, 52.1% agreed that the use of trained

appraisers results to fairness in the process while those who agreed that training appraisers reduces variations in recommendations on the appraised by the appraisal panel committee hence increasing confidence in the process were 60.40%. Lastly, 61.4% of the respondents indicated that the use of trained appraisers increases trust between appraisers and appraised. The average mean of the responses indicated from the results was 3.50 which show that the respondents were agreeing on most of the statements while the standard deviation was 1.37 which indicates that the answers received were varied as they were dispersed far from the mean.

#### 4.4.4 Attitude of Employees

The study also sought to find out the level of respondent's opinion on attitude of employees. The summary of responses is as shown in Table 4.4.

**Table 4.4 Attitude of Employees**

	S D	D	N	A	S A	Total	Mean	Std. Dev
Employees have a poor attitude towards implementation of performance appraisal	17.7%	8.3%	21.9%	26.0%	26.0%	100%	3.34	1.41
Unwillingness of the employees to accept positive criticism affects implementation of performance appraisal	10.4%	9.4%	21.9%	36.5%	21.9%	100%	3.50	1.23
The performance of the appraisal process results in a clear and unbiased appraisal	7.3%	11.5%	20.8%	33.3%	27.1%	100%	3.61	1.21
Lack of trust in appraisers leads to distress, dissatisfaction and poor attitudes towards the appraisal process	10.4%	14.6%	14.6%	26.0%	34.4%	100%	3.59	1.37
Perceptions of unfairness and inequality in the ratings leads to the failure of performance appraisal	6.3%	7.3%	17.7%	34.4%	34.4%	100%	3.83	1.17
<b>Average</b>							<b>3.58</b>	<b>1.28</b>

**Key**

SD – Strongly disagree

D – Disagree

N – Neutral

SA – strongly agree

Results on Table 4.4 indicate that 52% of all the respondents felt that the employees have a poor attitude towards implementation of performance appraisal, 58.4% of all the respondents agreed that unwillingness of the employees to accept positive criticism affects implementation of performance appraisal, 60.4% agreed that the performance of the appraisal process results in a clear and unbiased appraisal, 64.4% of the respondents indicated that lack of trust in appraisers leads to distress, dissatisfaction and poor attitudes towards the appraisal process. Those who stated that perceptions of unfairness and inequality in the ratings lead to the failure of performance appraisal were 68.8%. The average mean of the responses indicated from the results was 3.58 which show that the respondents were agreeing on most of the statements while the standard deviation was 1.28 which indicates that the answers received were varied as they were dispersed far from the mean.

**4.4.5 Reward System**

The study also sought to find out the level of respondent's opinion on reward system.

The summary of responses is as shown in Table 4.5.

**Table 4.5: Reward System**

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total		
						Total	Mean	Std. Dev.
Highly Competent and excellent performing staff should be rewarded more than less competent and poorly performing staff	8.3%	11.5%	14.6%	31.3%	34.4%	100.0%	3.72	1.28
The current reward system encourages better performance	13.5%	11.5%	18.8%	26.0%	30.2%	100.0%	3.48	1.38
The bank reviews its reward system more frequently	5.2%	16.7%	18.8%	29.2%	30.2%	100.0%	3.63	1.22
Employees are satisfied by the newly reviewed reward systems.	8.3%	11.5%	19.8%	30.2%	30.2%	100.0%	3.63	1.26
The reward system always reflects the recommendations by the performance appraisal team.	9.4%	9.4%	16.7%	36.5%	28.1%	100.0%	3.65	1.25
<b>Average</b>							<b>3.62</b>	<b>1.28</b>

Results on Table 4.5 indicate that 65.7% of all the respondents felt that highly competent and excellent performing staff should be rewarded more than less competent and poorly performing staff, 56.2% stated that the current reward system encourages better performance, 59.40% stated that the bank reviews its reward system more frequently while 64.6% indicated that the reward system always reflects the recommendations by the performance appraisal team. The average mean of the responses indicated from the results was 3.62 which show that the respondents were agreeing on most of the statements while the standard deviation was 1.28 which indicates that the answers received were varied as they were dispersed far from the mean.

## 4.5 Regression Analysis

This section provides regression analysis which was used to establish the relationship between evaluation process, training of appraisers, attitude of employees and reward System and the dependent variable; Implementation of performance appraisal in National Bank of Kenya. In addition, this section aids in determining the significance of the variables under study.

### 4.5.1 Evaluation Process and Implementation of performance Appraisal in National bank of Kenya

**Table 4.6: Evaluation Process and Implementation of performance Appraisal in National bank of Kenya**

#### a) Model Summary

Indicator	Value
R	0.344
R Square	0.118
Adjusted R Square	0.109

#### b) Analysis of Variance (ANOVA)

Indicator	Sum of Squares	Df	Mean Square	F	Sig.
Regression	15.55	1	15.55	12.613	0.001
Residual	115.884	94	1.233		
Total	131.433	95			

#### c) Regression Coefficients

Indicator	Beta	Std. Error	t	Sig.
(Constant)	2.213	0.409	5.413	0.000
Evaluation process	0.344	0.11	3.552	0.001

From the regression results, the R value was 0.344. This indicates that there was a positive association between evaluation process and implementation of performance appraisal. The coefficient of determination also called the  $R^2$  was 0.118. This means

that evaluation process explains 11.8% of the implementation of performance appraisal. The remaining 88.40% can be explained using other determinants. The F value of 12.613 is significant at a significance value of 0.001 which is less than 0.05 at 5% level of significance. This shows that the overall model of the effect of evaluation process on implementation of performance appraisal was significant. There is a positive relationship between evaluation process and implementation of performance appraisal as supported by beta coefficients of 0.344. This means that an increase in evaluation process through improvement will positively increase implementation of performance appraisal at National bank of Kenya. The analysis also yields results that show that evaluation process is statistically significant as the probability (p) value was 0.001 which is not more than the conventional value of 0.05.

These findings are consistent with findings from a study by Hedge and Teachout (2000) conducted to examine the predictors of acceptability of performance appraisal by employees and supervisors and found out that the evaluation process is critical for the success of the process of implementing performance appraisal.

#### **4.5.2 Reward system and Implementation of performance appraisal in**

##### **National bank of Kenya**

**Table 4.7 Reward system and Implementation of performance appraisal in National bank of Kenya**

##### **a) Model Summary**

<b>Indicator</b>	<b>Value</b>
R	0.373
R Square	0.139
Adjusted R Square	0.13

**b) Analysis of Variance (ANOVA)**

<b>Indicator</b>	<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	18.274	1	18.274	15.18	0.000
Residual	113.159	94	1.204		
Total	131.433	95			

**c) Regression Coefficients**

<b>Indicator</b>	<b>Beta</b>	<b>Std. Error</b>	<b>t</b>	<b>Sig.</b>
(Constant)	1.708	0.5	3.412	0.001
Reward System	0.373	0.135	3.896	0.000

From the regression results, the R value was 0.373 which indicates a positive association between reward system and implementation of performance appraisal. The coefficient of determination also called the  $R^2$  was 0.139. This means that reward system explains 13.9% of the implementation of performance appraisal. The remaining 86.1% can be explained using other determinants. The F value of 15.18 is significant at a significance value of 0.000 which is less than 0.05 at 5% level of significance. This shows that the overall model of the effect of reward system on implementation of performance appraisal was significant. There is a positive relationship between evaluation process and implementation of performance appraisal as supported by beta coefficient of 0.373. This means that an increase in reward system by improving it will positively increase implementation of performance appraisal at National bank of Kenya. The analysis also yields results that show that reward system is statistically significant as the probability (p) value was 0.000 which is not more than the conventional value of 0.05.

The findings of this study are consistent with the findings from a study conducted by Onyango (2013) on factors affecting employee perception of performance appraisal



process at National Housing Corporation and found out that one of the factors that affected employees' perception of the performance appraisal process at the National Housing Corporation included poor reward system and failure to implement supervisors appraisal recommendations.

### 4.5.3 Attitude of employees and Implementation of performance appraisal in National bank of Kenya

**Table 4.8 Attitude of employees and Implementation of performance appraisal in National bank of Kenya**

#### a) Model Summary

Indicator	Value
R	-0.088
R Square	0.008
Adjusted R Square	-0.003

#### b) Analysis of Variance (ANOVA)

Indicator	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1.011	1	1.011	0.729	0.395
Residual	130.422	94	1.387		
Total	131.433	95			

#### c) Regression Coefficients

Indicator	Beta	Std. Error	t	Sig.
(Constant)	0.753	4.243	5.636	0.000
Attitude of Employees	-0.088	0.208	-0.854	0.395

Regression results indicate an R value of -0.088 which indicates a negative association between attitude of employees and implementation of performance appraisal. The coefficient of determination also called the  $R^2$  was 0.008. This means

that attitude of employees explains only 0.8% of the implementation of performance appraisal. The remaining 99.8% can be explained using other determinants. The F value of 0.729 is insignificant at a significance value of 0.000 which is less than 0.05 at 5% level of significance. This shows that the overall model of the effect of attitude of employees on implementation of performance appraisal was insignificant. There is a negative relationship between attitude of employees and implementation of performance appraisal as supported by beta coefficient of -0.088. This means that an increase in poor attitude of employees will decrease implementation of performance appraisal at National bank of Kenya. The analysis also yields results that show that attitude of employees is statistically insignificant as the probability (p) value was 0.395 which more than the conventional value of 0.05.

The findings from this study are consistent with Boswell and Boudreau (2000) who observe that the attitude of employees about the performance appraisal practices determines the effectiveness of the appraisal process. The staffs' perceptions of fairness of the appraisal practices are very critical aspects that contribute to effectiveness of the performance process.

#### **4.5.4 Training of appraisers and Implementation of performance appraisal in National bank of Kenya**

**Table 4.9 Training of appraisers and Implementation of performance appraisal in National bank of Kenya**

##### **a) Model Summary**

<b>Indicator</b>	<b>Value</b>
R	0.224
R Square	0.05
Adjusted R Square	0.04

**b) Analysis of Variance (ANOVA)**

<b>Indicator</b>	<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	6.593	1	6.593	4.964	0.028
Residual	124.841	94	1.328		
Total	131.433	95			

**c) Regression Coefficients**

<b>Indicator</b>	<b>Beta</b>	<b>Std. Error</b>	<b>t</b>	<b>Sig.</b>
(Constant)	2.609	0.464	5.623	0.000
Training of Appraisers	0.224	0.128	2.228	0.028

From the regression results, an R value of 0.224 indicates a positive association between training of appraisers and implementation of performance appraisal and the coefficient of determination also called the  $R^2$  of 0.05 means that training of appraisers explains 5% of the implementation of performance appraisal. The remaining 95 % can be explained using other determinants. The F value of 4.964 is significant at a significance value of 0.028 which is less than 0.05 at 5% level of significance. This shows that the overall model of the effect of training of appraisers on implementation of performance appraisal was significant. There is a positive relationship between training of appraisers and implementation of performance appraisal as supported by beta coefficients of 0.224. This means that an increase in training of appraisers will positively increase implementation of performance appraisal at National bank of Kenya. The analysis also yields results that show that training of appraisers is statistically significant as the probability (p) value was 0.028 which is not more than the conventional value of 0.05.

These findings are consistent with findings from a study by Greenberg (2006) conducted to investigate what individuals considered as the most decisive factor in a

‘particularly fair or unfair performance evaluation’ and revealed that well trained appraisers have the ability to make an accurate evaluation of subordinate’s performance. The findings are also consistent with findings from a study by Muketha (2012) conducted to investigate the factors influencing performance appraisal process in Kenya Methodist University and concluded that that appraisers should be trained on how to conduct performance appraisal.

#### 4.5.5 Regression Model Specification and Estimation

The regression equation took the following form:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$$

Where;

Y = Implementation of performance appraisal

X<sub>1</sub> = Evaluation process

X<sub>2</sub> = Reward system

X<sub>3</sub> = Attitude of employees

X<sub>4</sub> = Training of appraisers

**Table 4.10 Overall regression Model**

##### a) Model Summary

Indicator	Value
R	0.607
R Square	0.632
Adjusted R Square	0.341

##### b) Analysis of Variance (ANOVA)

Indicator	Sum of Squares	df	Mean Square	F	Sig.
Regression	48.413	4	12.103	13.266	0.000
Residual	83.021	91	0.912		
Total	131.433	95			

### c) Regression Coefficients

Indicators	Beta	Std. Error	t	Sig.
(Constant)	0.064	0.869	0.073	0.942
Evaluation process	0.49	0.106	5.275	0.000
Reward system	0.312	0.139	3.178	0.002
Attitude of employees	-0.189	0.174	-2.197	0.031
Training of appraisers	0.298	0.134	2.841	0.006

The regression results show that R was 0.607 which shows that the relationship between the predictor variables (evaluation process, reward system, attitude of employees and training of appraisers) and dependent variable is positive. The coefficient of determination explains the percentage of variation in implementation of performance appraisal that is explained by all the four independent variables (evaluation process, reward system, attitude of employees and training of appraisers). The coefficient of determination also called the  $R^2$  was 0.632. This means that the combined effect of the predictor variables explains 63.20% of the implementation of performance appraisal in National bank of Kenya. This therefore means that other factors not studied in this research contribute 36.80% of the implementation of performance appraisal in National bank of Kenya.

Therefore, further research should be conducted to investigate the other factors that explain 36.80% implementation of performance appraisal in National bank of Kenya. The F value of 13.266 is significant at a significance value of 0.000 which is less than 0.05 at 5% level of significance. This shows that the overall model was significant. This shows that the combined effect of evaluation process, reward system, attitude of employees and training of appraisers were statistically significant in explaining the implementation of performance appraisal in National bank of Kenya.

The results for regression of coefficients of the study shows that there is a positive relationship between evaluation process, reward system and training of appraisers and implementation of performance appraisal in National bank of Kenya as supported by beta coefficients of 0.49, 0.312 and 0.298 respectively. This means that an increase in either of the variables will positively increase implementation of performance appraisal. The results also indicate that there is a negative relationship between attitude of employees and implementation of performance appraisal in National bank of Kenya as supported by beta coefficient of -0.189. This means that an increase in poor attitude of employees will lead to a decrease in implementation of performance appraisal. The analysis also yields results that show that all variables used in the study are statistically significant as the probability (p) values were 0.000, 0.002, 0.031 and 0.006 respectively which were not more than the conventional value of 0.05.

According to the regression equation established, taking all factors into account (evaluation process, reward system, attitude of employees and training of appraisers) constant at zero, implementation of performance appraisal at National bank of Kenya is to be 0.064. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in evaluation process leads to a 0.49 units increase in implementation of performance appraisal; a unit increase in reward system leads to a 0.312 units increase in implementation of performance appraisal; a unit increase in training of appraisers leads to a 0.298 units increase in implementation of performance appraisal and a unit increase in attitude of employees leads to a 0.189 units decrease in implementation of performance appraisal in

National bank of Kenya.

#### **4.6 Chapter Summary**

This chapter comprised of data analysis, findings and interpretation. Results were presented in tables and diagrams. Results in this chapter indicated that all the predictor variables (Evaluation process, reward system, attitude of employees and training of appraisers) showed a significant relationship with the implementation of performance appraisal in National bank of Kenya. Evaluation process, reward system and training of appraisers have a positive relationship with implementation of performance appraisal in National bank of Kenya while attitude of employees has a negative relationship with it.

## **CHAPTER FIVE**

### **5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter deals with the summary of the findings, the conclusion and recommendations. Areas of further research were also suggested and limitations of the study were taken into account. The purpose of the study was to assess the factors affecting implementation of performance appraisal in National Bank of Kenya.

#### **5.2 Demographics**

Majority of the respondents (54%) were male and 36% of the respondents were customer support staff, 34% were assistant managers and the least participants were clerk officers. Those who had worked with National bank of Kenya for a period of between 5 to 9 year were 33% while 26 % had worked with National bank of Kenya for a period less than 4 years, 25 % had worked in the bank for a period between 9 to 14 years while only 16% had worked for over 15 years. Respondents with a University education degree were 55 % while 45 % had college education.

#### **5.3 Evaluation process and Implementation of performance appraisal in National bank of Kenya**

There was a positive association between evaluation process and implementation of performance appraisal ( $R= 0.344.$ ) .The findings also indicated that evaluation process explains 11.8 % of the implementation of performance appraisal ( $R^2 =0.118.$ ). There is a positive and significant relationship between evaluation process and implementation of performance appraisal as supported by beta coefficients of



0.344 and P-value of 0.001. This means that an increase in evaluation process through improvement will positively increase implementation of performance appraisal at National bank of Kenya.

#### **5.4 Reward system and Implementation of Performance Appraisal in National bank of Kenya**

There is a positive association between reward system and implementation of performance appraisal ( $R = 0.373$ ). Reward system explains 13.9% of the implementation of performance appraisal ( $R^2 = 0.139$ ). There is a positive and significant relationship between evaluation process and implementation of performance appraisal as supported by beta coefficient of 0.373 and P-value of 0.000. This means that an increase in reward system by improving it will positively increase implementation of performance appraisal at National bank of Kenya.

#### **5.5 Attitude of Employees and Implementation of Performance Appraisal in National bank of Kenya**

The association between attitude of employees and implementation of performance appraisal was found to be negative ( $R = -0.088$ ). The findings also reveals that the attitude of employees explains only 0.8% of the implementation of performance appraisal ( $R^2 = 0.008$ ) There is a negative and insignificant relationship between attitude of employees and implementation of performance appraisal as supported by beta coefficient of -0.088 and P-value of 0.395. This means that an increase in poor attitude of employees will decrease implementation of performance appraisal at National bank of Kenya.

### **5.6 Training of Appraisers and Implementation of Performance Appraisal in National bank of Kenya**

Findings of the study revealed a positive association between training of appraisers and implementation of performance appraisal as supported by a Pearson correlation value of 0.224. Further findings revealed that training of appraisers explains 5% of the implementation of performance appraisal ( $R^2 = 0.05$ ). The relationship between training of appraisers and implementation of performance appraisal is positive and significant as supported by a beta coefficient of 0.224 and P-value of 0.028. This means that an increase in training of appraisers will positively increase implementation of performance appraisal at National bank of Kenya.

### **5.7 Conclusions**

Based on the findings, the study concludes that evaluation process, training of appraisers, attitude of employees and reward system affect implementation of performance appraisal at the National bank of Kenya. There is a positive and significant relationship between evaluation process and implementation of performance appraisal. Activities involved in evaluation process such as the use of fair evaluation methods in measurement of performance, conducting of periodic performance rating and increasing frequency of evaluation process have an effect on implementation of performance appraisal in National bank of Kenya.

The study also concludes that there is a positive and significant relationship between training of appraisers and implementation of performance appraisal. Engagement of trained appraisers every time the appraisal process is conducted has an effect on implementation of performance appraisal in National bank of Kenya.

Based on the study findings, the study also concludes that there is a negative and insignificant relationship between attitude of employees and implementation of performance appraisal. Activities involving the attitude of employees such as willingness of the employees to accept positive criticism and trust in appraisers have an effect on implementation of performance appraisal in National bank of Kenya.

Lastly, the study concludes that there is a positive and significant relationship between reward system and implementation of performance appraisal. Activities relating to reward system such as rewarding of highly competent and excellent performing staff and reviewing of reward system more frequently affects implementation of performance appraisal in National bank of Kenya.

### **5.8 Recommendations**

The study recommends that a National bank of Kenya and any other company implementing performance appraisal should take note of the evaluation process as it impacts positively on the success rate of the process. There should be more use of fair evaluation methods in measurement of performance, conducting of periodic performance rating and increasing frequency of evaluation process.

The study also recommends that National bank of Kenya and any other company implementing performance appraisal should also take note of training of the appraisers because it also impacts positively on the success rate of the process. Trained appraisers should be engaged every time the appraisal process is conducted. Another recommendation by the study is that National bank of Kenya and any other company implementing performance appraisal should also take note of the reward

system it has because it also impacts positively on the success rate of the process. The company should have policies which reward highly competent and excellent performing staff. The company should also review its reward system more frequently.

### **5.9 Areas for Further Research**

The study assessed the factors affecting implementation of performance appraisal in National Bank of Kenya. The study recommends that further research should be done on the same topic in other organizations and sectors. This is because implementation of performance appraisal can be affected by other company based factors which are different from those faced by National bank of Kenya. If a similar study is conducted in other sectors, this will show whether similar results will be obtained.

Research can also be carried out to identify other factors apart from those investigated in this study and which have not been researched on. Such findings can improve output of the entire sector. The factors investigated in this study explained 63.20% of implementation of performance appraisal in National bank. This therefore means that other factors not studied in this research explain 36.80% of the implementation of performance appraisal in National bank of Kenya. Therefore, further research should be conducted to investigate those other factor

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**APPENDICES****APPENDIX 1: INTRODUCTION LETTER**

**Dear respondent,**

**Re: REQUEST FOR YOUR PARTICIPATION IN MY RESEARCH WORK.**

I am a student in the Faculty of Business Administration at Open University of Tanzania (OUT) currently undertaking a research project on “*Factors affecting implementation of performance appraisal in National bank of Kenya.*” This is in partial fulfillment of the requirement for the award of a Masters degree in Human Resource Management at Open University of Tanzania (OUT).

Attached is a questionnaire, please answer all the questions with your own true agreement to each. There are no wrong responses for any of these statements. All information given in the questionnaire will be treated with strict confidentiality and used for the purpose of this research only.

Thank you for taking your time to fill in the questionnaire.

Thank you in advance,

Yours sincerely,

Blanche Watuma

**Student**

Course instructor

**Dr. Ngatuni**

## Appendix II: Questionnaire

This questionnaire is designed to carry out a survey on the factors affecting implementation of performance appraisal in National bank of Kenya. It is divided into 6 sections.

This questionnaire is divided into six short sections that should take only a few minutes of your time to complete. Please respond by ticking the appropriate box or filling in your answers in the blank spaces provided. This is an academic exercise and all information collected from respondents will be treated with at strict confidentiality.

### **SECTION 1: BASIC INFORMATION**

1. Indicate your gender

- a) Female
- b) Male

2. Your Position in the Company

- a) Support staff
- b) Clerk officer
- c) Assistant Manager

3. Level of education

- a) College
- b) University

4. How long have you been working in the bank

- a) 0 to 4 years
- b) 5 to 9 years
- c) 9 to 14 years
- d) Over 15 years

## SECTION II: EVALUATION PROCESS

This subsection is concerned with investigation of the evaluation process at National Bank of Kenya. Please mark (x) in the box which best describes your agreement or disagreement.

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
1	The evaluation methods used are fair in measuring my performance					
2	Periodic performance rating has an impact on the performance of employees					
3	The evaluation methods used are designed with inputs from the employees and their representatives					
4	The frequency of evaluation process should be increased.					

### SECTION III: TRAINING OF APPRAISERS

This subsection is concerned with investigation of training of appraisers at National Bank of Kenya. Please mark (x) in the box which best describes your agreement or disagreement.

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
1	The company always engages trained appraisers every time the appraisal process is conducted					
2	Trained appraisers make an accurate evaluation of the performance appraisal results.					
3	The use of trained appraisers results to fairness in the process					
4	Training appraisers reduces variations in recommendations on the appraised by the appraisal panel committee hence increasing confidence in the process.					
5	Use of trained appraisers increases trust between appraiser and appraised					

#### SECTION IV: ATTITUDE OF EMPLOYEES

This subsection is concerned with investigation of attitude of employees on performance appraisal at National Bank of Kenya. Please mark (x) in the box which best describes your agreement or disagreement.

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
1	Employees have a poor attitude towards implementation of performance appraisal					
2	Unwillingness of the employees to accept positive criticism affects implementation of performance appraisal					
3	The performance of the appraisal process results in a clear and unbiased appraisal					
4	Lack of trust in appraisers leads to distress, dissatisfaction and poor attitudes towards the appraisal process					
5	Perceptions of unfairness and inequality in the ratings leads to the failure of performance appraisal					

## SECTION V: REWARD SYSTEM

This subsection is concerned with investigation of reward system at National Bank of Kenya. Please mark (x) in the box which best describes your agreement or disagreement.

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
1	Highly Competent and excellent performing staff should be rewarded more than less competent and poorly performing staff					
2	The current reward system encourages better performance					
3	The bank reviews its reward system more frequently					
4	Employees are satisfied by the newly reviewed reward systems.					
5	The reward system always reflects the recommendations by the performance appraisal team.					



## SECTION VI: IMPLEMENTATION OF PERFORMANCE APPRAISAL

This subsection is concerned with investigation of implementation of performance appraisal at National Bank of Kenya. Please mark (x) in the box which best describes your agreement or disagreement.

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
1	The company appraises its staff frequently					
2	The company uses modern and non complex methods during the implementation of performance appraisal					
3	There are guidelines provided which guide the appraisal process					
4	The company has set targets for the employees within which they evaluate them					
5	The implementation of performance appraisal process is just and fair.					