

UNIVERSITY OF CAPE COAST

EVALUATION OF PERFORMANCE APPRAISAL SYSTEM IN RURAL  
BANKS: A CASE STUDY OF THE LOWER PRA RURAL BANK IN THE  
SHAMA DISTRICT OF THE WESTERN REGION

BY

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DISSERTATION SUBMITTED TO THE INSTITUTE FOR DEVELOPMENT  
STUDIES OF THE FACULTY OF SOCIAL SCIENCES, UNIVERSITY OF  
CAPE COAST IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR  
AWARD OF MASTER OF ARTS DEGREE IN HUMAN RESOURCE  
DEVELOPMENT

JUNE 2011

**UNIVERSITY OF CAPE COAST**

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**THEOPHILUS P. OBENG**

**2010**

## **DECLARATION**

### **Candidate's Declaration**

I hereby declare that this dissertation is the result of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature..... Date.....

Candidate's Name: THEOPHILUS P. OBENG

### **Supervisor's Declaration**

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature: ..... Date.....

Supervisor's Name: MR FRIMPONG SIAW

## **ABSTRACT**

The purpose of this study was to evaluate the performance appraisal system in the Lower Pra Rural Bank. Both quantitative and qualitative research methods were used to assess the performance appraisal system in the rural bank. The quantitative aspect adopted a cross-sectional approach using a self administered questionnaire while the qualitative aspect took the form of in-depth interviews to obtain qualitative data to supplement the quantitative data. A total of 50 respondents were involved in the study.

From the findings, the performance appraisal system has greatly increased the general satisfaction of employees, resulted in development of plans to improve performance, and has given employees opportunity to communicate upwards their views and feelings about the job and greater knowledge of strengths and weaknesses. Performance appraisal results are used to make promotion and identification of potentials decisions. The performance appraisal system in the bank makes the need for training of employees more pressing, makes the need for training to be linked to performance outcomes and provides a regular and efficient training needs audit for the entire bank.

Challenges to the effective implementation of the bank's performance appraisal system are lack of regular training for appraisers and employees lack of understanding of the performance appraisal process.

There is the need for management to ensure that all employees are adequately educated on the system and to also ensure that performance appraisal procedures reflect the corporate goals of the bank.

## **ACKNOWLEDGEMENTS**

My gratitude goes to my supervisor, Mr Frimpong Siaw, Head, Department of Accounting and Finance, School of Business, University of Cape Coast, for painstakingly reading through this work and making constructive criticisms and suggestions. It was his efforts that brought this work to completion.

My thanks go to the Management of the Lower Pra Rural Bank. I also owe a debt of gratitude to Mrs Alice Ampiaaw of the Chief Executive Officer's office, for helping me in various ways in the data collection. The respondents also deserve thanks for making time to complete my questionnaires despite their tight working schedule. The human resource manager must be thanked for making time for the interview.

However, I am entirely responsible for any defects and shortcomings in this work.

## **DEDICATION**

To the memory of my late parents

## TABLE OF CONTENTS

Content	Page
DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENTS	iv
DEDICATION	v
TABLE OF CONTENTS	vi
LIST OF TABLES	ix
CHAPTER ONE: INTRODUCTION	1
Background to the study	1
Statement of the problem	3
Objectives of the study	4
Research questions	5
Significance of the study	5
Scope of the study	6
Organisation of the study	6
CHAPTER TWO: REVIEW OF LITERATURE	8
Introduction	8
The concept of performance appraisal	8
Performance appraisal methods	16
Objectives of performance appraisal	20
Benefits of performance appraisal	22

Performance appraisal implementation: empirical review	28
Principles underlying effective performance appraisal	33
Theoretical framework	36
Conclusion	38
CHAPTER THREE: METHODOLOGY	39
Introduction	39
Research design	39
Sampling techniques and procedures	39
Instrumentation	40
Pilot testing of questionnaires	40
Data sources and methods of data collection	41
Data processing and analysis	42
Ethical considerations	42
CHAPTER FOUR: RESULTS AND DISCUSSION	43
Introduction	43
Demographic characteristics of the study participants	43
Perception of impact of the performance appraisal system on employee motivation and satisfaction	44
Effects of the performance appraisal system on training and development in the bank	47
Influence of the performance appraisal system on the	



bank's recruitment and induction	53
Challenges associated with the application of the performance appraisal system in the bank	55
Conclusion	56
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	58
Introduction	58
Summary	58
Conclusions	60
Recommendations	61
Suggestions for further research	63
REFERENCES	64
APPENDICES	70
I: Questionnaire for staff	70
II: Interview schedule for human resource manager	80

## LIST OF TABLES

Table	Page
1. Effect of appraisal system on employees' general satisfaction	45
2. Respondents' view on the importance of performance appraisal in the bank	47
3. Respondents' view of the impact of performance appraisal on training and development	49
4. Benefits of performance appraisal on employee training and development	50
5. Respondents' view of whether performance appraisal has led to improvement in job performance	51
6. Respondents' view about whether any promotion they have had was based on current performance appraisal results	52
7. Respondents' views on the impact of the performance appraisal system on recruitment and induction practices	54
8. Challenges of effective implementation of performance appraisal system	56

## **CHAPTER ONE**

### **INTRODUCTION**

#### **Background to the study**

All organisations face up the challenge of how to evaluate, utilize and develop the skills and abilities of their employees to ensure that organisational goals are achieved and also to ensure that individuals gain as much satisfaction as possible from their jobs while making effective contributions. As competition in many markets becomes more intense and global in nature, it is hardly surprising that an increasing number of organisations are recognising the importance of performance appraisal as a key element of human resource management (Anderson, 1993; Bannister, 1986; Kwame, 2000).

There is a basic human tendency to make judgements about people's work behaviour. Appraisal, it seems, is both inevitable and universal. In the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others, including subordinates, naturally, informally and arbitrarily. The human inclination to judge can create serious motivational, ethical and legal problems in the workplace. Without a structured appraisal system, there is little chance of ensuring that the judgements made will be lawful, fair, defensible and accurate (Dulewicz, 1989; Greenberg, 1986).

There is a general consensus that places emphasis on a more strategic and integrated approach to human resource management in organisations. Sissons (1989) cited in Anderson (1993) observes that the management of people is a key element, probably the key element in the strategic planning of any business.

Developing this theme, Connock (1991) cited in Anderson (1993) argues not only the importance of human resource management, but also the need for a human resource vision including a philosophy of how to treat people in the organisation and the importance of people to the organisation. This suggests that human resource vision should be a fundamental component of first-order business strategies (Fedor, Eder & Buckley, 1989).

Every organisation has certain business objectives and the probability of success in achieving strategic goals will depend on a number of factors including how the performance of people is evaluated and developed. A system of performance appraisal can make an important contribution to the achievement of organisational goals. Since strategic human resource management is concerned with planning, management, control, evaluation and development of the people resource of an organisation, in order to derive as much value added as possible, evaluating human resource management will help organisations position themselves effectively in a competitive environment. Therefore a system for evaluating, rewarding and developing the human resource of the organisation lies at the heart of human resource management. Performance appraisal is now widely regarded as an essential element of effective human resource management in organisations (Anderson, 1993; Harris & DiSimone, 1994; Odiorne, 1984).

Typically, performance appraisal systems aim to establish a cascade of explicit linkages between organisational objectives and the performance of individual employees. This generally involves a process of setting objectives, assessing performance and allocating rewards. The emphasis is not only on the results of a given task, but also on the process through which this is achieved (Goss, 1997; Locher & Teel, 1977). Performance appraisal schemes serve management of organisations with multiple objectives including administrative, informative and motivational. Performance appraisal is also viewed as having two broad purposes: evaluative function and a development function (Cummings & Schwab, 1973 cited in Anderson, 1993).

### **Statement of the problem**

The observation that organisations face increasingly intensive, global competition is now commonplace and undoubtedly true. As a result, organisations cannot guarantee their survival. One consequence of the fight for survival and success is the widespread realisation within organisations that people are their most important asset (Anderson, 1993). This emphasis on the human resources implies that it also needs to be developed.

Additionally, the emphasis on human resource management has brought with it an increased interest in the assessment of performance appraisal systems. This reflects the greater priority placed on generating performance, also on ensuring that employee expectations and behaviour are compatible with organisational objectives and on the concern to evaluate personnel practices in

terms of effectiveness and efficiency. Assessment is central to this approach not only for selecting employees with capacity to perform well, but also as a mechanism for providing individuals with the feedback necessary to search for constant improvement (Goss, 1997).

Performance appraisal systems are now widely recognised as a coherent approach towards evaluation and increasingly, they are being applied to non-managerial as well as managerial employees. Yet surprisingly, whilst these systems are widespread, little attention has been paid to their evaluation in terms of effectiveness and efficiency. In an attempt to fill this gap, this study is designed to evaluate performance appraisal system of the Lower Pra Rural Bank in the Shama District. The rural bank has a performance appraisal system, but what remains unclear is whether the performance appraisal system of the bank is effective. There is, therefore, the need for an empirical research to evaluate the effectiveness of the performance appraisal system of the bank.

### **Objectives of the study**

The main objective of this study is to assess the performance appraisal system in the Lower Pra Rural Bank. Specifically, the study was to:

- Find out the perception of impact of the performance appraisal system on employee motivation and satisfaction;
- Analyse the effects of the performance appraisal system on training and development in the bank;

- Investigate the influence of the performance appraisal system on the bank's recruitment and induction; and
- Ascertain challenges associated with the application of the performance appraisal system within the bank.

### **Research questions**

This study seeks to answer the following questions:

- What is the perception of impact of the performance appraisal system on employee motivation and satisfaction?
- What effects does the performance appraisal system have on training and development in the bank?
- Does the performance appraisal system in the bank have any influence on the bank's recruitment and induction?
- What challenges are associated with the application of the performance appraisal system within the bank?

### **Significance of the study**

The study would obtain vital information from staff about the performance appraisal system of the bank. The results are therefore expected to stimulate decision making regarding the bank's recruitment, selection, orientation, and training and development processes. This would have significant impact on human resource management of the bank. In addition, the findings would fill existing gap and discover new facts in the field of performance appraisal.

Furthermore, it would guide the management of the bank in defining roles and challenge them to intensify monitoring evaluation of the staff. Finally, the study would certainly be a guide and reference to the academia in intellectual pursuit and contribute to existing body of knowledge in the study area.

### **Scope of the study**

The scope of this study is the employees of the Lower Pra Rural Bank in the Shama District. The study focuses on managerial and non-managerial ranks. This would help give a general view of how performance appraisal is applied to both managerial and non-managerial ranks and the impact this has on employee motivation, training and development.

### **Organisation of the study**

The study has been organised into five chapters. Chapter one is the background, and consists of introduction, the problem statement, objectives, research questions, the significance of the study and scope of the study. The literature review forms chapter two, where existing literature on the topic is assessed and refocused into the context of the study. Chapter three outlines the research methodology. Specifically, a cross-sectional survey design is adopted, and in order to obtain the most relevant answers, the study population comprised both senior and junior staff of the bank. The lists of the staff (senior and junior) were obtained and simple random sampling was used to select them. A self administered questionnaire was used to collect data. The data were analyzed



using mean, standard deviation and frequency distributions. Ethical issues such as informed consent, voluntary participation and anonymity were observed. Chapter four is devoted to the presentation and analysis of data. In chapter five, the major findings are summarised to inform the drawing of conclusion of the study relating to the research questions and the objectives of the study. Based on the findings of the study, recommendations on improvement of the performance appraisal system of the bank would be proffered.

## **CHAPTER TWO**

### **REVIEW OF LITERATURE**

#### **Introduction**

This section reviews some of the literature on performance appraisal. The review begins with a thorough discussion of the meaning of performance appraisal. This was to give an understanding of basic definitional issues of the concept before details related to the topic are discussed. Following this is a review of performance appraisal methods. This leads into the next section, which looked at the objectives of performance appraisal. The benefits of performance appraisal is examined, followed by a look at the principles of performance appraisal that aid in achieving successful performance appraisal. The chapter concludes with a discussion on the theoretical framework within which the study operates.

#### **The concept of performance appraisals**

The critical literature on appraisal has a long history. Rowe (1964) examined 1440 completed appraisal forms and found that appraisers were reluctant to appraise, interviewers reluctant to interview and the follow up was inadequate. Several years later, Pym (1973) found in oil, electronic and tobacco companies, all with appraisal schemes, half the employees were unable to recall

having an appraisal in the last twelve months. Those who did, often, found the interview of little consequence. Both Rowe and Pym found the link between appraisal and action in terms of promotion and training tenuous. In the 70's and 80's research continued to find appraisal problematical. In one company Napier and Latham (1986) found people were clear as to the purpose of appraisal, believed in the instrument, and that supervisors should conduct them once a year. Indeed, they enjoyed their own appraisal. But appraisal seldom took place and had no effect on the employee's status. Appraisers were not rewarded. Indeed, if the appraiser sought to use incidents to support unfavorable judgments with superiors, it was perceived as leading to decreased promotion possibilities for them. (Torrington, 1974)). Dorfman, Stephen and Loveland (1986) reported that the performance appraisal interview does not have a positive impact on subsequent employee performance.

Even saying that someone is all right, satisfactory, performing normally, is likely to prove demotivating. As Pearce and Porter (1986) argued, for many people self-perceptions of their organisation or work performance are closely aligned with feelings of self-esteem and want to believe they are making an important contribution. As Meyer (Meyer et al., 1996) said people want to consider themselves above average, so it is not surprising that they will suffer some loss of positive feeling when they are told they are just 'up to the job'. Perhaps, suggests Pearce and Porte (1986) all those not in the top rank feel demotivated after appraisal. The reaction of psychologists who dominate the literature on appraisal to the difficulties of appraisal has been to shift the focus

from objectivity of ratings towards what is going on in the appraisers head, and to a social learning approach following Feldman (1981) They began also to consider the problems of observation, ideology and decision making which is a theme of this paper.

In the 1990's most of the perceived difficulties associated with appraisal have been concerned with issues related to individual managers, or appraisees. A review of recent texts in Human Resource Management revealed the following issues reviewed in Grint (1993). Appraisers are claimed not to be really able to make judgment about performance especially if it is presented in the form of rating of traits or generalised behaviour. "They are prone to rate every subordinate in the same part on the scale to allow ratings to drift upward. They are prone to judge subordinates on factor or behavior alone (halo/horns effect) and to reward people similar to themselves or their cronies." "They are reluctant to deliver bad news." "They were poor at setting targets." "They didn't know what their organisation strategic objectives were." "They set targets which may undermine tacit and valued goals (like work quality) and set goals which are rapidly outdated by change." "Their targets may not be within subordinates capabilities or actually achievable." "They had problems with interviews." "They lack the skills to interview." "They have problems of communication with subordinates." "They are embarrassed at discussing the performance of others." "They cannot distinguish between behavioural skills and the desire to actually put these behaviours into operation." "They resist the system: they saw appraisal as bureaucratic and time consuming and imposed by Human Resource Managers." Appraisees also

subverted this system. "Appraisee subordinates resort to impression management carefully self monitoring their performance." "They fail to admit they can change." "They go along with the judgment of their managers." "They resort to defensiveness and dishonesty." This formidable list relates almost entirely to individual behaviours usually set within a social psychological framework.

These practical difficulties have generated a critical literature over time, which sets appraisal systems in a wider framework rather than just concentrating on the players in appraisal systems. At an organisation theoretic level Salaman (1978) has suggested that management development systems of which appraisal is a part are based on the doubtful assumptions drawn from a system view of organisation theory. This view assumes:

- organisations are goal orientated phenomena where people work together cooperatively
- variation in kinds of performance are due to individuals' problems of communication and commitment that the structure of an organisation is given by its goal and technology and cannot change. Organisation reality for Salaman (1978) means:
  - organisations are characterised by conflict and change
  - organisation goals are not determinant of structure - merely legitimating symbols
  - organisation structure is determined by senior workers of the organisation in their interest. These three themes taken together suggest a picture is of an organisation where control by senior members is sought by structural

and ideological means, but remains problematic in the face of the conflicts both lateral between groups seeking organisation resources on the actions of group like 'maintenance' who have expertise and power to command resources) and vertical and between individual and organisation (in fact the reified top management or dominant coalition). Appraisal then may, as Salaman suggests, serve a legitimating function an acting out in ritualised form a display management authority and power. Pym (1973) has also suggested the function, or perhaps one possible function of this ritual is to reaffirm the myth of individual achievement in a world of interdependent activities of teamwork, and lateral dependencies, which made it difficult to pin down accountancies, which serves to explain why in a world of teams individual appraisal remains dominant.

For Sofer (1975), appraisal also fits into this 'ideological' framework, but for him the purpose is to transfer structural inadequacies and failure to gain compliance from employees as they grapple with these, to the faults of the individuals. Thus it assists managers in deploying Etzioni's (1975) "normative" control. Indeed, engendering guilt/shame rather than praise was a feature of most appraisal interviews the writer has observed in training appraisers. Lawrence and others (1976) have suggested that the ritual purposes of management development systems and hence, a fortiori, appraisal systems which play a central part in such systems, extends to reaffirming the myth of the career, and the possibility of upward mobility. Appraisal demonstrates the availability of rewards the achiever, and guilt as a punishment for the underachiever. Further, it is a collusive act

between subordinates and managers to confirm that opportunities remain provided 'performance' is delivered, even if in reality they do not exist, or are the product of chance or cronyism. This discussion of the symbolic ideology of appraisal and its legitimising function in organisational life serve only to suggest that there is some doubt about efficacy of appraisal in achieving its original practical goals because of its failure to fit organisational reality.

It is worth recalling that the practice did develop as part of a management development system designed to solve the specific organisational problems of monitoring and developing talent. Probably, in the UK, management development systems were a response to the exploitation of university graduates (Burns and Stalker, 1961) and were copied essentially from those developed in the late 40's in the USA. Such systems further serve to limit the perceived irrationalities of organisational behaviour. Appraisal can be seen in this context of managing careers. Career management systems and their associated appraisals, seek to introduce rationality and objectivity and to limit senior management's unfettered choice of subordinates. They also hope to reduce attempts by juniors to manage their achievements so as to bring recognition, by making alliances with powerful seniors. Burns (1966) described mechanisms where juniors seeking career success cluster around an upwardly mobile senior. In this situation, however talented the individual, if the employee is not "one of us" he is unlikely to make progress, whatever the general policies of the bureaucratic succession policies. Appraisal systems are an attempt to bring reason and control by HRM specialists to this area of organisational life. But as Townley (1989) notes appraisal serves to

communicate organisation norms and culture, and for middle managers preserving management discretion and effectiveness, not accuracy, are the watchwords.

There is a clash of rationalities here between the reality of the organisation politics and the power of the management groups to choose trusted subordinates, and the objectivity of the 'fair and scientific systems' of the bureaucratic appraisal designer. All this takes place of course with the boundaries set by what others have called the psychological contract between employee and manager about what is 'fair'.

Performance appraisal, as traditionally understood, is subject to continuous review and redefining. The term has also been used synonymously with employee evaluation, performance assessment, personnel appraisal, personnel review, progress report, results appraisal and merit rating among others. There are a number of definitions of performance appraisal. According to Dulewicz (1989), performance appraisal is a structured formal interaction between a subordinate and a supervisor, that usually takes the form of a periodic interview (annual or semi-annual), in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development.

While Beach (1980) defined performance appraisal as the systematic evaluation of individuals with respect to their job performance and potential for development, Mathis and Jackson (2000) see performance appraisal as the process for defined purpose, that involves the systematic measurement of individual differences in employees' performance on their job, the process of determining



how well employees do their jobs compared with a set of standards and communicating the information to the employees, the process of determining and communicating to an employee how he or she is performing on the job and, ideally, establishing a plan of improvement.

From the definitions, it could be deduced that performance appraisal is a process, which is systematic and measurement oriented. It is also communicative and purposeful. Performance appraisal involves several processes, no matter the orientation of the appraiser. In the first place, there must be a set of realistic and achievable standards. Second, there is the judgmental process of the appraiser, who must choose specific criteria and the way to measure those standards. Third, within the process is the completion of the appraisal form, where the appraiser goes through an objective process based on observations of the employee's behaviour, personal feelings about the employee and knowledge and evaluation of the employee's job performance. These indicators are inter-related and therefore, the objective process involved in performance appraisal must consider these components (Kavangah, 1987).

Any formal appraisal system must be systematic. The systematic features of a well-defined performance appraisal programme ensure that information on the job effectiveness on all employees is available to the manager to aid in personnel and administrative decisions. A formal appraisal system must be measurable and based on standard set. Notwithstanding the systematic manner of collection of information on employees' job performance, if the evaluation

programme does not meet the criteria established for valid measurement, the results become quite useless (Brinkerhoff & Kanter, 1980; Dulewicz, 1989).

A formal system must also involve inter-personal relationships. This interaction occurs during the performance interview between supervisors and subordinates. In communicating the results of a job performance appraisal to an employee, the supervisor is highly sensitive and emotionally charged, which calls for extremely good inter-personal skills. Most managers shrink from their most important task of managing the performance of others (Mavis, 1994).

Finally, an appraisal system should be purposeful. In other words, the process involved in performance appraisal should be in harmony with management's goals and objectives. For example, with the rapid changes in the business environment, it would not be out of place to discuss the personal growth and development of an employee during a performance interview when the primary purpose for the appraisal is to determine promotions and/or merit increases.

### **Performance appraisal methods**

Several studies have tried to answer the question as to how an employee's performance is to be evaluated (Mathis & Jackson, 2000; Sherman, Bohlander & Snell, 1996; Wright & Noe, 1995). A large number of methods can be, and indeed are, used by organisations to measure employees' performance. A number of long-established techniques for performance appraisal include: attributes rating methods; comparative methods; behavioural and written/narrative methods.

### Attributes rating methods

This is the simplest method for appraising performance. An appraiser is expected to rate an employee's level of performance on a specific form. Under this method, there is the graphic rating scale and the checklist/mixed standard scale. In the graphic rating scale, the appraiser is asked to rate employees in terms of a number of defined work or personal qualities by placing a tick somewhere along a line from 'very high' to 'very low'. The appraiser identifies the point along the continuum that signifies the level of trait the employee possesses. The principal advantages of this method are: its relative simplicity, ease of comprehension, and avoidance of having to slot people into specific categories. The disadvantages are the problems of central tendency, rater bias, and the meaning or interpretation of the rating scale itself (Anderson, 1993). Checklist/mixed standard scale is a method where the appraiser answers with 'yes' or 'no' or 'good' or 'satisfactory' or 'poor' to a series of statements or words and checks those representing the characteristics and performance of the employee.

### Comparative methods

In this method managers directly compare performances of their employees against one another using the ranking, paired comparisons and forced distribution methods. The ranking method is the simplest performance appraisal method. The appraiser places employees in order of merit (best to poorest).

Ranking is usually carried out on an assessment of overall performance. The obvious advantage of the ranking method is not only its simplicity; it also forces the appraiser to discriminate between different levels of performance. The major limitation is that a group of employees may not conform to the distribution dictated by straight ranking. Paired comparison involves comparing each employee with every other employee in a rating group at a time. The employee with the most check marks is considered to be the best performer and vice versa.

In the forced distribution, a number of categories are established for each work quality that is to be assessed: low, below average, average, above average and high. The assumption underlying this method is that variations in employee performance follow a normal distribution curve. To be realistic, however, this method requires a large number of employees in order to place a significant number in each of the five categories. However, this method has the advantages of reducing the problems of: over-lenience, over-strictness and central tendency. The major disadvantage is that variations in the performance levels of the group of employees may not conform to the normal distribution curve and so appraisers will be forced to incorrectly categorize some appraisees (Anderson, 1993).

#### Narrative/Written methods

Appraisers provide written narrative appraisal information, which describe employees' actions. This is done to address appraiser errors. Critical incident, essay and field reviews are the methods used. Critical incident is where the appraiser keeps a written record of the highly favourable and unfavourable actions

or incidents as they occur in an employee's performance and use them to justify the ratings of employees. One, however, wonders if the appraiser would have the time to note down the incidents as they happen. The Essay or "free-form" appraisal method requires the manager to write short essays describing each employee's performance under prescribed headings. Under the field review, a reviewer who could be a completely independent person interviews a manager about each employee's performance, and then compiles notes on each interview into a rating for each employee (Mathis & Jackson, 2000).

#### Behavioural/Objectives methods

Behavioural Anchored Rating Scales (BARS) seem to hold promise for situations in which people are doing the same job, whereas Management by Objective (MBO) is useful for management appraisals. Cascio (1995) contends that the BARS are a variation of the simple graphic rating scale because the method defines the dimensions to be rated in behavioural terms and uses critical incidents to describe the various levels of performance. It therefore provides a common frame for appraisers. The MBO is a process in which executives and top managers define strategic goals for the year, then managers and employees at successively lower levels set objectives by which they will support the higher-level objectives. Performance is evaluated in terms of whether the employee met his or her objectives within a specified time.

## **Objectives of performance appraisal**

Performance appraisal objectives can be classified in a number of ways. One of the best known classifications was produced many years ago by McGregor (1960) who grouped them in three ways: administrative, informative and motivational. Administratively, performance appraisal provides an orderly way of determining promotions, transfers and salary increases. Informatively, performance appraisal supply data to management on the performance of subordinates and to the individual on his or her strengths and weaknesses. Motivationally, performance appraisal creates a learning experience that motivates staff to develop themselves and improve their performance.

Sherman, Bohlander and Snell (1996) also identified four basic objectives or purposes for conducting performance appraisal exercise: to give employees the opportunity to discuss performance and performance standards regularly with their supervisors; to provide supervisors with a means of identifying the strengths and weaknesses of employees' performance; to provide a format enabling supervisors to recommend specific programmes designed to help employees develop in order to improve their performance; to provide a basis for recommendations of rewards and incentives. Cummings and Schwab (1973) adopt a different perspective. They contend that organisations typically view appraisal as having two broad purposes: an evaluative and a development function.

### The evaluative function

The evaluative function of performance appraisal is in reviewing past performance in the light of what has been achieved: actual performance is assessed in relation to what is seen as a desired performance. This function corresponds closely to McGregor's administrative category. Data are generated and used as a basis for making decisions on promotions, transfers and salary increases. While it may be logical for performance appraisal and salary decisions to be linked, there should be separation in time and in procedure between appraisal systems and salary review systems (Anderson, 1993).

### The development function

For the development function of appraisal, concentration is on improving performance of people by identifying areas for improvement, setting performance targets for the future, and agreeing plans for follow-up action. This aspect also involves developing the capacity of people through formulating plans to develop their skills and careers; helping individuals to reconcile their job and career aspirations with opportunities available in the organisation.

Furthermore, there is a certain amount of overlap between the evaluative and development functions, in that the evaluation of past performance will often be an important influence upon the setting of future targets. Brinkerhoff and Kanter (1980) contend that this function is both backward looking in the sense of evaluating past performance so as to establish standards and forward-looking in that the established standards serve as incentives for future performance

improvement through generating peer competition and the desire to beat one's own past record.

They argued further that an additional overlapping, but also overarching purpose for the performance appraisal, is to ensure that managers are performing a critical management function. Managers should be paying careful attention to the assessment of the past performance of their staff against organisational requirements, and to the development of greater productivity of the human resources available. This function of performance appraisal of encouraging careful and systematic approaches in assessing the performance of employees is of great importance for practising managers and its value is often recognized by them.

### **Benefits of performance appraisal**

As well as specifying the purposes of performance appraisal, it is important to clarify what performance appraisal means to each of the parties involved, in terms of what they can expect to gain. The main parties are: the appraisee that is the person being appraised; the appraiser, that is the manager conducting the appraisal; and the organisation.

According to Anderson (1993) assuming appraisals are properly carried out, appraisees benefit in terms of greater clarity of the results/standards expected of them; accurate and constructive feedback on past performance; greater knowledge of strengths and weaknesses; the development of plans to improve on performance by building on strengths and minimizing as far as possible



weaknesses; an opportunity to communicate upwards views and feelings about the job and the utilisation of the appraisee's skills in the job; a clearer view of the context of the job by learning about the manager's objectives and priorities for the section/departments/division; and discussion of career prospects.

Given the natural anxieties that most people have when their work is being appraised and their competence is under scrutiny, it is extremely important that all managers who conduct appraisal should recognise the need and accept the responsibility to communicate these benefits as clearly as possible to the staff. Only if staff perceives the benefits outweighing their natural apprehensions about appraisal, can they reasonably be expected to participate fully, and without feelings of defensiveness, in performance appraisal.

Appraisers can expect to gain the following benefits if they carry out appraisals in a thorough and conscientious manner: the opportunity to measure and identify trends in performance of staff; better understanding of staff, their fears, anxieties, hopes and aspirations; the opportunity of clarifying the appraiser's own objectives and priorities, with a view to giving staff a better view of how their contribution fits in with the work of others; enhanced motivation of staff, by focusing attention on them as individuals; developing staff performance; and identifying opportunities for rotating or changing the duties of staff.

These benefits constitute the objectives of good management. A major challenge is, therefore, the communication of this message to appraisers to encourage them to view performance appraisal as an essential element of good management and as

a mechanism which, if properly implemented, increases the likelihood that the appraiser's own objectives will be achieved.

It is important to recognize that the organisation as a whole, and not just individuals, benefits from a carefully implemented performance appraisal scheme. Benefits that accrue to the organisation include: improved communications; generally enhanced motivation of staff; the greater harmonization of objectives and above all, improved corporate performance (Anderson, 1993).

Fletcher (2004) indicates that perhaps the most significant benefit of appraisal is that, in the rush and bustle of daily working life, it offers a rare chance for a supervisor and subordinate to have "time out" for a one-on-one discussion of important work issues that might not otherwise be addressed. Almost universally, where performance appraisal is conducted properly, both supervisors and subordinates have reported the experience as beneficial and positive. Appraisal offers a valuable opportunity to focus on work activities and goals, to identify and correct existing problems, and to encourage better future performance. Thus the performance of the whole organisation is enhanced. For many employees, an "official" appraisal interview may be the only time they get to have exclusive, uninterrupted access to their supervisor. The value of this intense and purposeful interaction between a supervisor and subordinate should not be underestimated (Harris & DiSimone, 1994).

## Motivation and satisfaction

Performance appraisal can have a profound effect on levels of employee motivation and satisfaction - for better as well as for worse. Performance appraisal provides employees with recognition for their work efforts. The power of social recognition as an incentive has been long noted. In fact, there is evidence that human beings will even prefer negative recognition in preference to no recognition at all. If nothing else, the existence of an appraisal programme indicates to an employee that the organisation is genuinely interested in their individual performance and development. This alone can have a positive influence on the individual's sense of worth, commitment and belonging. The strength and prevalence of this natural human desire for individual recognition should not be overlooked. Absenteeism and turnover rates in some organisations might be greatly reduced if more attention were paid to it. Regular performance appraisal, at least, is a good start (Dulewicz, 1989).

## Training and development

Performance appraisal offers an excellent opportunity, perhaps the best that will ever occur for a supervisor and subordinate to recognize and agree upon individual training and development needs. During the discussion of an employee's work performance, the presence or absence of work skills can become very obvious even to those who habitually reject the idea of training. Performance appraisal can make the need for training more pressing and relevant by linking it clearly to performance outcomes and future career aspirations. From

the point of view of the organisation as a whole, consolidated appraisal data can form a picture of the overall demand for training. This data may be analysed by variables such as sex and department. In this respect, performance appraisal can provide a regular and efficient training needs audit for the entire organisation (Sandler & Keefe, 2005; Dulewicz, 1989).

#### Recruitment and induction

Appraisal data can be used to monitor the success of the organisation's recruitment and induction practices. For example, how well are the employees performing who were hired in the past two years? Appraisal data can also be used to monitor the effectiveness of changes in recruitment strategies. By following the yearly data related to new hires (and given sufficient numbers on which to base the analysis) it is possible to assess whether the general quality of the workforce is improving, staying steady, or declining (Dulewicz, 1989).

#### Employee evaluation

Though often understated or even denied, evaluation is a legitimate and major objective of performance appraisal. But the need to evaluate (i.e., to judge) is also an ongoing source of tension, since evaluative and developmental priorities appear to frequently clash. Yet at its most basic level, performance appraisal is the process of examining and evaluating the performance of an individual. Though organisations have a clear right - some would say a duty - to conduct such evaluations of performance, many still recoil from the idea. To them, the explicit

process of judgement can be dehumanizing and demoralizing and a source of anxiety and distress to employees. It has been said by some that appraisal cannot serve the needs of evaluation and development at the same time; it must be one or the other. But there may be an acceptable middle ground, where the need to evaluate employees objectively, and the need to encourage and develop them, can be balanced (Dulewicz, 1989).

Mullins (1999) provides some potential benefits of an effective appraisal system to both the individual and the organisation. These include: exposing the strengths and weaknesses of individuals and how they may be managed; unearthing the underlying problems, which may be restricting progress and causing inefficient work practices; improving level of consistency through regular feedbacks on performance and discussions about potentials in employees; generation of information for manpower planning, succession planning, promotion, employment and training; improvement in interpersonal communications by giving staff the opportunity to discuss their ideas, expectations, and how well they are progressing.

Cleveland, Murphy and Williams (1989) have classified the uses of performance appraisals into either administrative or developmental approaches.

Administratively, appraisal programmes provide inputs that can be used for the entire range of human resource management activities. For example, research has shown that performance appraisals are used most widely as a basis for compensation decisions (Cleveland *et al.*, 1989). The practice of “pay-for-performance” is found in all types of organisations. Performance appraisal is also

directly related to a number of other major human resource functions such as promotion, transfer, and layoff decisions. It may also be used in human resource planning, in determining the relative worth of jobs under a job evaluation programme, and provide the criteria for validating selection tests results. Finally, it is important to recognize that the success of the entire human resource programme depends on knowing how the performances of employees compare with the goals established for them. The assumption is that appraisal systems have the capability to influence employee behaviour, thereby leading directly to improve organisational performance.

Performance appraisal provides the feedback essential for discussing strengths and weaknesses, as well as improving performance. Regardless of the employee's level of performance, the appraisal process provides an opportunity to identify issues for discussion, eliminate any potential problems and set new goals for achieving high performance. A developmental approach to appraisal recognises that the purpose of a manager is to improve job behaviour, not simply to evaluate past performance.

### **Performance appraisal implementation: empirical review**

Ghana Health Service (GHS) Staff Performance Appraisal (SPA) conducted an appraisal in the year 2005 performance on the following issues: regularity, staff time and performance appraisal, staff response to performance appraisal and motivation. The findings on each are as follows:

## Regularity

The evaluation team found that although performance appraisal was supposed to be conducted on a yearly basis in Central Region and on a quarterly basis in Eastern and Brong-Ahafo regions for all staff, only 31 percent of staff had actually received a performance appraisal in the last year. However, the data also suggest that the application of performance appraisal in the regions that actually implemented the pilot was significantly better than Central Region, which continued to implement the civil service performance appraisal process, where only 16 percent of staff had had a performance appraisal in the last year. The evaluation team interviewed 78 staff members to learn more about the degree to which performance appraisal is being implemented in the three regions. In Central Region, where only 16 percent of staff interviewed had been appraised within the last year, staff and managers noted that although staff were supposed to be appraised on an annual basis, the process was being used only for staff that had been called for promotion interviews. They also noted that the process was viewed in the region as a formality and was not taken seriously

## Staff time and performance appraisal

The study found that many staff and service managers complained that performance appraisal was difficult to implement because it took too much time. The evaluation team asked service managers to estimate how long they spent preparing for performance appraisals, discussing, and processing performance appraisal paperwork to try to estimate the work burden associated with performance appraisal. This question proved very difficult for service managers

to estimate because there is no set period for performance appraisal and service managers and staff often take small bits of time over days or weeks to complete the forms and conduct performance appraisal discussions. While a task-time analysis, based on observations, would have yielded a more accurate estimate of the time it takes to do performance appraisal, such analysis was not possible in this evaluation because performance appraisal is conducted so rarely.

#### Staff response to performance appraisal

Staff who felt that the Ghana Health Service (GHS) Staff Performance Appraisal (SPA) process was either much better or better than the Civil Service process stated the following reasons: It allowed them to identify progress toward stated objectives and targets and make changes in strategies and activities if progress toward target was not on track; it created a forum for more regular communication between staff and supervisors; it helped identify areas of weakness and arrange for in-service or on-the-job training and, therefore, increased staff's sense that performance appraisal was aimed at improvement and not merely at promotion; and it was regular and not used just for promotion.

About 25 percent of staff in Eastern Region and 13 percent of staff in Brong-Ahafo felt that the Ghana Health Service (GHS) Staff Performance Appraisal (SPA) process was either "no better or worse" or was "worse" than the Civil Service Performance Appraisal process. Primary reasons given by these staff included the following: The forms are difficult and confusing, and there are too many different sheets making sorting out which should be used difficult; the



forms take too long to fill out; implementing the process quarterly is too cumbersome and some of the issues raised become repetitive; the forms become costly and difficult to manage when used every quarter; objectives are hard to set; and the forms were rejected by Human Resource Development Division (HRDD) when submitted for promotion.

With regard to the latter complaint, some staff and district managers in Eastern Region reported that staff using the GHS SPA process faced problems at GHS headquarters. Arriving for their promotion interviews with the GHS SPA forms, staff members were told that they had the incorrect forms and were asked to return to their sites and complete the Civil Service forms. The incident raises some important issues with regard to headquarters' commitment to successful implementation of the process. Although the GHS SPA process was initiated by headquarters, information about the pilot and procedures for processing the forms were not adequately established at the central level. The problem compromised the implementation of the process because district managers of staff who had been required to return to their districts and complete the Civil Service forms began abandoning the GHS SPA process so as not to jeopardize their staff's chances for promotion.

Staff also felt frustrated because the recommendations for training or promotion made on their performance appraisals were not carried through. Forms are most often filed away in personal files, without the staff member's training need being added to training lists or plans. In addition, many staff felt that they are repeatedly recommended for promotion, but that promotion hinges on length

of service and vacancies of posts and is not tied to their performance. While the summary forms provided with the GHS SPA process were supposed to provide the basis for noting staff needs and recommendations, these forms are rarely being used and when they are completed there is no system to pass the information on the forms on to the units in charge of planning in-service training or to the persons responsible for making decisions about promotion.

### Motivation

Overall, staff noted that they found performance appraisal motivating. It is clear, however, that the more regularly performance appraisal is conducted, the more motivating and meaningful it is for staff. In Eastern Region, where 44 percent of staff interviewed had at least one performance appraisal in the last year, 95 percent of interviewees said the process was either “very motivating” or “motivating.” In Brong Ahafo, where 32 percent of staff interviewed had received a performance appraisal in the last year, 93 percent said the process was either “very motivating” or “motivating.” In Central Region, where only 16 percent of staff had received a performance appraisal in the last year, 86 percent of staff said the process was either “very motivating” or “motivating” but 4 percent also noted that the process was “demotivating” as compared with 0 percent in the two regions that tested the GHS SPA performance appraisal process.

## **Principles underlying effective performance appraisal**

### Corporate objectives orientation

Appraisal systems should be purposeful. According to Cascio (1995), it should not be viewed in isolation but in relation to the corporate objectives of the organisation and designed to suit its culture and particular requirements. Mullins (1999) is of the opinion that appraisal systems should be integrated with related personnel policies and practices such as manpower planning, training and development programmes.

### Clear definition of standards

Prior to any appraisal exercise, the standards by which performance is to be evaluated should be clearly defined and communicated to the employee. According to Overman (1989) these standards should be based on job-related requirements derived from job analysis and reflected in the job descriptions and job specifications. It is unclear definitions of standards that may result in highly subjective appraisal systems, which may measure other factors not directly related to job outputs. Robbins (1993) sums up that if the objectives that employees are expected to achieve are unclear, if the criteria for measuring those objectives are vague, and if the employees lack confidence that their efforts will lead to satisfactory appraisal of their performance or believe that there will be an unsatisfactory pay-off by the organisation when their performance objectives are achieved, it would be expected that individuals would work below their potential.

### Regular dialoguing

A successful appraisal should also establish a regular dialogue and lead to an improvement in manager-staff or supervisor-subordinate relationships. Weitzel (1987) sees performance appraisal as a power-sharing exercise. To succeed, it must be a co-operative and constructive endeavour with inputs by both staff and the managers. As stated earlier, the system should focus on the strengths and weaknesses and the accomplishments of staff, rather than on faults and failures. This will then lead to a plan for the future development and progress of the individual.

### Commitment and participation

Pollack and Pollack (1996) concluded that commitment and support from top management is very paramount to a successful appraisal system. Managers from the operating departments must be actively involved, particularly in helping to establish the objectives for the programme. Furthermore, employees are more likely to accept and be satisfied with the performance appraisal programme when they have the chance to participate in its development. Kreitner and Kinicki (2004) opine that organisational commitment is the extent to which employees identify with organisational goals and are committed to them. They share the view that commitment is an important work attitude because committed individuals are expected to display a willingness to work harder to achieve organisational goals and a greater desire to stay employed in an organisation.

### Training and monitoring

Mullins (1999) states that top management should make adequate provisions for the proper training of appraisers and also reasonable time allocated for the appraisal activity. Appraisal systems, like any other personnel programmes need also to be monitored regularly to ensure that appraisals are being carried out properly. The systems need constant review and where necessary modified to suite the changing environmental influences or the needs of the organisation (Fletcher, 2004).

### Appeal procedures and feedback

As the main purpose of appraisal is to help staff improve their performance, many studies stress the need to establish a formal appeal procedure, which should be clearly understood by all members of staff to ensure credibility of the system and to maintain goodwill (Cascio, 1995; Kavangah, 1987; Mullins, 1999). Much of the research on performance appraisal focuses on the role of feedback in performance appraisal systems. James (1988), points out that people work, learn or achieve more when they are given adequate and objective feedback as to how they are performing. According to Mathis and Jackson (2000) it is to change or reinforce individual behaviour. However, any shortfall in the above prescriptions may render the performance appraisal system in any organisation useless.

## **Theoretical framework**

It has been shown in numerous studies that goal-setting is an important element in employee motivation. Goals can stimulate employee effort, focus attention, increase persistence, and encourage employees to find new and better ways to work (Locke et al., 1981; Cameron & Pierce, 1994). The usefulness of goals as a stimulus to human motivation is one of the best supported theories in management. It is also quite clear that goals which are “...specific, difficult and accepted by employees will lead to higher levels of performance than easy, vague goals (such as do your best) or no goals at all” (Harris & DeSimone, 1994, p. 78).

Locke’s theory of goal setting is based on the premise that people’s goals or intentions play an important part in determining behaviour. Locke accepts the importance of perceived value as indicated in expectancy theories of motivation, and suggests that these values give rise to the experience of emotions and desires. Goals guide people’s responses and actions. Goals direct work behavior and performance, and lead to certain consequences or feedback (Mullins, 1999; Couger, Zawacki & Oppermann, 1979).

The combination of goal difficulty and the extent of the person’s commitment to achieving the goal regulate the level of effort expended. People with specific quantitative goals, such as a defined level of performance, or a given deadline for completion of a task, will perform better than people with no set goal or only a vague goal such as ‘do the best you can’. People who have difficult goals will perform better than people with easier goals (Mullins, 1999; Couger et al., 1979).

A number of studies (e.g. Mullins, 1999; McShane & Von Glinow, 2003; Luthans, 2005) have attempted to examine the relationship between goal-setting and performance. Although, almost inevitably, there are some contrary findings, the majority of the evidence suggests strong support for the theory, and its effects on performance appraisal. Locke (1981) subsequently pointed out that goal-setting is more a motivational technique rather than a formal theory of motivation.

According to Mullins (1999), goal theory has the following practical implication for the manager: specific performance should systematically be identified and set in order to direct behaviour and maintain motivation; goals should be set at a challenging but realistic level. Difficult goals lead to higher performance. However, if goals are set too high a level, or are regarded as impossible to achieve, performance will suffer, especially over a long period; complete, accurate and timely feedback and knowledge of results is usually associated with high performance. Feedback provides a means of checking progress on goal attainment and forms the basis for any revision of goals; goals can be determined either by a superior or by individuals themselves. Goals set by other people are more likely to be accepted when there is participation. Employee participation in the setting of goals may lead to higher performance.

Locke's theory of goal setting is applicable to the concept of performance appraisal. Performance appraisal can be classified as involving steps which includes: the setting up of corporate organisational goals; the development and setting up of departmental objectives; agreement on performance standards with their employees within a time frame; regular monitoring of performance to ensure

that employees are motivated and committed to the goals established; measurement of the performance of their subordinates as against agreed targets set; compilation of employees into appropriate performance appraisal data; administrative and developmental decisions and management reviews and setting of new goals based on challenges and achievements.

### Conclusion

The literature reviewed has looked at the concept of performance appraisal. Specifically, the review begins with a thorough discussion of the meaning of performance appraisal which gave an understanding of basic definitional issues of the concept before details related to the topic are discussed. Following this is a review of performance appraisal methods and their advantages and disadvantages. The objectives of performance appraisal and benefits of performance appraisal are examined, followed by a look at the principles of performance appraisal that aid in achieving successful performance appraisal. The chapter concludes with a discussion on the theoretical framework within which the study operates.



## **CHAPTER THREE**

### **METHODOLOGY**

#### **Introduction**

This section describes the research methods used in the study including the research design, sampling techniques and procedures, population definition, and data collection instruments used to generate information for this study. It also describes the data sources including the methods of data collection, ethical concerns and data handling procedures.

#### **Research design**

Both quantitative and qualitative research methods are used to assess the performance appraisal system in the rural bank. The quantitative aspect adopts a cross-sectional approach using a self administered questionnaire, while the qualitative aspect takes the forms of in-depth interviews to obtain qualitative data to supplement the quantitative data. The purpose of this study is to evaluate the performance appraisal system of the bank under study.

#### **Sampling techniques and procedures**

The target population for this study comprised employees of the Lower Pra Rural Bank. The list of all employees in the bank was obtained and the total population of staff in the bank was 108. However, the list was screened for the

availability of those named and ninety (90) staff was at post at the time of this survey. This number was used in the actual selection of respondents. Simple random sampling was used to select the sample of respondents. The researcher assigned numbers to each name on the list and wrote same numbers on individual pieces of paper and mixed them up thoroughly and then picked the required number of respondents. This was to ensure that all the respondents had equal chance of selection. At the end of the sampling process, 50 members of staff were selected in the bank and this represented 56 percent of the total number of staff available at the time of this survey.

### **Instrumentation**

A questionnaire tagged: “Performance Appraisal Evaluative Questionnaire” was constructed by the researcher. The questionnaire comprises variables of performance appraisal as they relate to employee motivation and satisfaction, training and development, recruitment and induction, and challenges associated with the application of the performance appraisal system within the bank. The items were structured in such a way that would enable the respondents to pick alternative answers against their choice of responses. Detailed questions using a five point Likert scale were tapped in the questionnaire. The questionnaires include both close and open ended questions.

### **Pilot testing of questionnaires**

After drawing up the questionnaire, it was piloted in Akatkyima Rural Bank. This bank was chosen because it is outside the study district, but shares

similar characteristics as that of the Lower Pra Rural Bank. The main purpose of the pilot survey was to identify any contradictions and incorrectness of some of the items in the study instrument. The questionnaire items which were found to be unclear or inconsistent were refined before the actual data collection exercise.

### **Data sources and methods of data collection**

The study made use of primary data and secondary information. Secondary information was gleaned from published and unpublished documentations on the concept of performance appraisal. The review yielded information that helped in the understanding of the problem of this study as well as identifying research gaps and what needs to be done. Primary data were obtained from self-administered questionnaires and in-depth interviews.

A self-administered questionnaire, personally delivered to the respondents was used to collect primary data. The in-depth interviews took the form of natural conversations which gave them opportunity to tell in detail their own stories with regard to the bank's performance appraisal system. The process was less structured and the researcher allowed the respondents to influence the direction of the interview process. The data were used to amplify the quantitative data collected through questionnaires. On the whole the fieldwork was undertaken between May 2010 and June 2010.

### **Data processing and analysis**

The survey data generated from the questionnaires were collated, edited, coded and processed into computer using the Statistical Package for Service Solution (SPSS, version 16.0). The data were also analyzed using descriptive statistics such as frequency distribution and pictorial presentations. Qualitative data obtained from in-depth interviews were transcribed from tape recordings. The transcriptions were used to supplement the quantitative data during data analysis.

### **Ethical considerations**

The researcher did not force any respondent to take part in the study. The researcher sought their informed consent. The privacy, anonymity and confidentiality of the participants were respected. All references were cited so as to avoid plagiarism.

## **CHAPTER FOUR**

### **RESULTS AND DISCUSSION**

#### **Introduction**

The purpose of this chapter is to present an empirical analysis of the outcome of the assessment of the performance appraisal system in the Lower Pra Rural Bank as it related to the research questions presented in chapter one. The demographic characteristics of the study participants are given, followed by a summary of the participants' responses to the survey questions using descriptive statistics. Transcripts of qualitative data obtained from an in-depth interview are blended in the analysis.

#### **Demographic characteristics of the study participants**

A total of 50 members of staff aged 24 to 55 years with a mean age of 36.64 years was sampled from the Lower Pra Rural Bank. About 52 percent of the respondents were males while 48 percent were females. The length of service for staff who worked in the bank ranged from 1 to 20 years with a mean of 6.98 years and a mode of 1 year. While 84 percent of the respondents had tertiary level education, 12 percent had secondary education with only 4 percent attained JSS/Middle level education. Among the staff canvassed, 40 percent worked in the banking operations department, 24 percent loans/advances, 14 percent internal

audit, 12 percent accounting unit, four percent each worked in the administration and security units. Only one respondent constituting two percent worked in the information technology (IT) department. In addition, more than 90 percent indicated involvement in decision making, especially in relation to performance appraisal.

From the characteristics of the respondents, it can be anticipated that most of them have adequate work experience and knowledge about the operations of the Lower Pra Rural Bank and thus able to provide reliable information about the bank's performance appraisal system.

### **Perception of impact of the performance appraisal system on employee motivation and satisfaction**

#### Effect of appraisal system on employees' general satisfaction

The results in Table 1 show the responses of staff about whether the existence of a performance appraisal system in the bank affected their general satisfaction with the job. Of the 50 respondents, 74 percent said the existence of the appraisal system in the bank has greatly increased their job satisfaction. While a 12 percent of the respondents said it has neither increased nor decreased their job satisfaction, ten percent said the bank's appraisal system has slightly increased their job satisfaction. Only four percent indicated that the performance appraisal system has greatly decreased their job satisfaction. The study's finding is that the existence of the performance appraisal system in the bank has greatly increased the general satisfaction of employees.

**Table 1: Effect of appraisal system on employees' general satisfaction**

Responses	Frequency	Percent
Greatly increased job satisfaction	37	74.0
It has neither increase nor decrease job satisfaction	6	12.0
Slightly increased job satisfaction	5	10.0
Greatly decreased job satisfaction	2	4.0
Total	50	100.0

Source: Field Survey, 2010

Views of respondents on the importance of performance appraisal in the bank

In measuring further the perception of impact of the performance appraisal system on employee motivation and satisfaction, the respondents were asked to rate their level of agreement to the statements: “The performance appraisal provides me an opportunity for my work efforts to be recognised” and “The performance appraisal has a positive influence on my sense of worth, commitment and belonging”. Their responses were classified on a five point Likert scale of 1=strongly disagree, 2=disagree, 3=undecided, 4=agree and 5=strongly agree. Table 2 provides information on the mean and standard deviation of the respondents' responses to the two statements.

Focusing on the variable as to whether performance appraisal provides an opportunity for respondents work efforts to be recognised, the mean score is 3.60 with a standard deviation of 0.97. This means that on the average, the respondents rated undecided. Their responses were homogeneous as the associated standard

deviation value of 0.97 is less than one above or below the mean score. The variable as to whether performance appraisal has a positive influence on their sense of worth, commitment and belonging, the mean score was 3.56 and the standard deviation was 1.01. This also means that the respondents indicated undecided. Their responses are homogeneous as the standard deviation value is concentrated around the mean.

The study found staff to be generally undecided on whether the performance appraisal provides an opportunity for recognition of work efforts and whether the performance appraisal has a positive influence on sense of worth, commitment and belonging in the bank.

Respondents' feelings about the performance appraisal on employee motivation

The respondents were asked to rate their feelings about the performance appraisal system on employee motivation. The responses were classified on a 5 point scale: 1=very negative, 2=generally negative, 3=mixed (about equally positive & negative), 4=generally positive and 5=very positive. From the analysis, the mean score was 1.53 and a standard deviation of 0.68. What this means is that on the average, the staff rated their feelings about the performance appraisal on employee motivation as very negative. Their responses also indicated homogeneity.



**Table 2: Respondents' view on the importance of performance appraisal in the bank**

Statements	Mean	Standard deviation	Total
Performance appraisal provides an opportunity for recognition of work efforts	3.60	0.97	50
Performance appraisal has a positive influence on sense of worth, commitment and belonging	3.50	1.01	50

Note: Mean is the summation of responses rated on the scale

Standard deviation is the degree of variation from the mean

Source: Field Survey, 2010

On the whole, the study found respondents' feelings about the performance appraisal on employee motivation as very negative. The very negative rating could mean that other factors contribute to overall employee motivation than merely appraising the employees.

**Effects of the performance appraisal system on training and development in the bank**

The second objective was to analyse the effects of the performance appraisal system on training and development in the bank.

Respondents' views on the effects of performance appraisal on training and development

The respondents' views were solicited on the effects of the performance appraisal on key training and developments issues. The respondents were asked to rate their level of agreement to the following statements: "performance appraisal in this bank makes the need for training of employees more pressing", "performance appraisal in this bank makes the need for training to be linked to performance outcomes", and "the performance appraisal provides a regular and efficient training needs audit for the entire bank." Table 3 provides information on the mean and standard deviation of the respondents' responses to the three statements.

Focusing on whether performance in the bank makes the need for training of employees more pressing, the mean score was 4.34 and a standard deviation of 0.557. This means the members of staff rated their level of agreement to the issue as agree. The standard deviation value of 0.557 also indicates that the responses were homogeneous. The results regarding whether performance appraisal makes the need for training to be linked to performance outcomes and whether performance appraisal provides regular and efficient training needs audit for the entire bank follow a similar pattern.

The respondents therefore generally agreed that the performance appraisal system in the bank makes the need for training of employees more pressing, makes the need for training to be linked to performance outcomes and provides a regular and efficient training needs audit for the entire bank.

**Table 3: Respondents' views of the impact of performance appraisal on training and development**

Statements	Mean	Standard Deviation	Total
Performance appraisal makes the need for training of employee more pressing	4.34	0.56	50
Performance appraisal makes the need for training to be linked to performance outcomes	4.20	0.40	50
Performance appraisal provides a regular & efficient training needs audit for the entire bank	4.06	0.37	50

Source: Field Survey, 2010

#### Benefits of performance appraisal on employee training and development

The respondents were asked to indicate the benefits of the performance appraisal system in the bank on their training and development. From Table 4, while 36 percent of the respondents indicated that the performance appraisal has led to the development of plans by the bank's management to improve employee performance, 34 percent said the performance appraisal system has given them the opportunity to communicate upwards their views and feelings about the job. About 28 percent of the respondents mentioned that the performance appraisal in

the bank has given them greater knowledge of their strengths and weaknesses. The study found that the benefits of the performance appraisal system in the bank have on employee are development of plans to improve performance, opportunity to communicate upward views and feelings about the job and greater knowledge of strengths and weaknesses. During an in-depth interview the human resource manager said:

“The performance appraisal results are beneficial in decision-making regarding salary increment, awards and development result oriented training and promotion programmes. Indeed the performance appraisal is beneficial in deciding whether or not to promote an employee”.

**Table 4: Benefits of performance appraisal on employee training and development**

Benefits	Frequency	Percent
Development of plans to improve performance	18	36.0
Opportunity to communicate feelings	17	34.0
Greater knowledge of strengths & Weakness	14	28.0
It has no benefit	1	2.0
Total	50	100.0

Source: Field Survey, 2010

Respondents' view of whether performance appraisal has led to any improvement in job performance

The respondents were asked to indicate whether the performance appraisal has led to any improvement in their job performance. From Table 5, while almost half (48%) of the respondents said that performance appraisal has led to a considerable improvement in their job performance, 40 percent of them indicated that it has led to a slight improvement in their job performance. Only 10 percent of the respondents said it has neither led to improvement nor deterioration in their job performance. The performance appraisal system has a considerable to slight improvement in employee job performance.

**Table 5: Respondents' view of whether performance appraisal has led to improvement in job performance**

Responses	Frequency	Percent
Yes, a considerable improvement	24	48.0
Yes, a slight improvement	20	40.0
Neither improvement nor deterioration	5	10.0
No, a considerable deterioration	1	2.0
Total	50	100.0

Source: Field Survey, 2010

Respondents' view on whether any promotion they have had was based on current performance appraisal results

Data in Table 6 shows the responses of respondents on whether any promotion they have had was based on current performance appraisal results. Almost half of the respondents (48%) said any promotion they have had was strictly based on current performance appraisal results, while 16 percent indicated that any promotion they have had was partially based on current appraisal results with 36 percent saying their promotion had nothing to do with current performance appraisal results. The results confirm an earlier observation from this study that the performance results are beneficial in deciding whether or not to promote an employee.

**Table 6: Respondents' view about whether any promotion they have had was based on current performance appraisal results**

Responses	Frequency	Percent
Strictly on current appraisal results	24	48.0
Has nothing to do with current appraisal	18	36.0
Partially on current appraisal results	8	16.0
Total	50	100.0

Source: Field Survey, 2010

## **Influence of the performance appraisal system on the bank's recruitment and induction**

Respondents' views on the influence of the performance appraisal system on recruitment and induction practices

A five point Likert scale: 1=strongly disagree, 2=disagree, 3=undecided, 4=agree, 5=strongly agree was used to assess the influence of the performance appraisal system on recruitment and induction practices of the bank. The respondents were asked to indicate their level of agreement to the following statements: "the performance appraisal enables the bank to know how well employees who were recruited previously are performing", "the performance appraisal data are used to monitor the effectiveness of changes in recruitment strategies", "the performance appraisal makes the need for recruit employees to fill specific gaps", and "the performance appraisal enables the bank to assess whether the general quality of the workforce is improving." The mean scores and their associated standard deviation are presented in Table 7.

Focusing on whether performance appraisal enables the bank to know how well employees who were recruited previously are performing, the mean score was 4.20 and a standard deviation of 0.54. This means that the respondents generally agreed. Their rating of agreed was homogeneous as the associated standard deviation value of 0.54 is less than one below or above the mean. A similar pattern is observed in the mean scores of the following variables: performance appraisal data are used to monitor the effectiveness of changes in recruitment strategies and performance appraisal enables the bank to assess

whether the general quality of the workforce is improving. However, with regard to whether performance appraisal brings about the need to recruit employees to fill specific gaps, the mean score was 3.92, meaning they were generally undecided.

**Table 7: Respondents' views on the impact of the performance appraisal system on recruitment and induction practices**

Statements	Mean	Standard Deviation	Total
Performance appraisal enables the bank to know how well employees were recruited previously are performing	4.20	0.54	50
Performance appraisal data are used to monitor the effectiveness of changes in recruitment strategies	4.06	0.51	50
Performance appraisal brings about the need to recruit employees to fill specific gaps	3.92	0.60	50
Performance appraisal enables the bank to assess whether the general quality of the workforce is improving	4.18	0.63	50

Source: Field Survey, 2010



The study's finding is that the members of staff canvassed generally agreed that the performance appraisal system enables the bank to do the following: to know how well employees who were recruited previously are performing, enables the bank to monitor the effectiveness of changes in recruitment strategies, and to assess whether the general quality of the workforce is improving. However, they were generally undecided about whether performance appraisal brings about the need to recruit employees to fill specific gaps.

### **Challenges that affect the effective implementation of the performance appraisal system in the bank**

From Table 8, more than half of the respondents (56%) indicated lack of regular training for appraisers as a challenge to the effective implementation of the performance appraisal system, 18 percent of the staff said lack of understanding of the appraisal system is also a challenge that affects its effective implementation and 14 percent mentioned poor rating system. Only 12 percent said poor management support. The main challenges to the effective implementation of the bank's performance appraisal system are lack of regular training for appraisers and employees lack of understanding of the performance appraisal process. During the in-depth interview, the human resource manager pointed out that:

“Some members of staff have inadequate information about how the performance appraisal system works and further added that

some too feel reluctant to request the needed information about the performance appraisal system”.

**Table 8: Challenges of effective implementation of performance appraisal system**

Challenges	Frequency	Percent
Lack of regular training for appraisers	28	56.0
Workers do not understand the appraisal system	9	18.0
Poor rating system	7	14.0
Poor management support	6	12.0
Total	50	100.0

Source: Field Survey, 2010

### **Conclusion**

This chapter has presented an empirical analysis of the outcome of the assessment of the performance appraisal system in the Lower Pra Rural Bank. The demographic characteristics of the study participants are given, followed by a summary of the participants’ responses to the specific survey objectives including the perception of impact of the performance appraisal system on employee motivation and satisfaction; effects of the performance appraisal system on training and development in the bank; the influence of the performance appraisal system on the bank’s recruitment and induction; and challenges associated with the application of the performance appraisal system within the bank. Transcripts

of qualitative data obtained from an in-depth interview are also blended in the analysis. The following chapter is the summary of findings, conclusions and recommendations including suggestions for future research.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **Introduction**

This chapter marks the concluding part of this study and presents the findings in a briefly manner. This study set out to assess the performance appraisal system in the Lower Pra Rural Bank. Using a triangulation of methodologies, involving in-depth interviews and self-administered questionnaires survey of junior and senior staff of the bank, various findings have been documented. This chapter provides an overview of these findings and the conclusions that emerge from them. The recommendations in the subsequent section provide a foundation upon which relevant stakeholders of the Lower Pra Rural bank can build in order to improve the performance appraisal system in the bank.

#### **Summary**

Perception of the impact of the performance appraisal system on employee motivation and satisfaction

The existence of the performance appraisal system in the bank has greatly increased the general satisfaction of employees. The respondents were generally undecided on whether the performance appraisal provide an opportunity for

recognition of work efforts and whether the performance appraisal has a positive influence on their sense of worth, commitment and belonging in the bank. They also rated their feelings about the performance appraisal on employee motivation as very negative. The very negative rating could mean that other factors contribute to overall employee motivation than merely appraising the employees.

#### Effects of the Performance Appraisal System on Training and Development in the Bank

The respondents generally agreed that the performance appraisal system in the bank makes the need for training of employees more pressing, makes the need for training to be linked to performance outcomes and provides a regular and efficient training needs audit for the entire bank. The benefits of the performance appraisal system on employee are development of plans to improve performance, opportunity to communicate upward views and feelings about the job and greater knowledge of strengths and weaknesses. The performance appraisal system has a considerable to slight improvement on employee job performance.

#### Influence of the Performance Appraisal System on the Bank's Recruitment and Induction

The respondents canvassed generally agreed that the performance appraisal system enables the bank to do the following: to know how well employees who were recruited previously are performing, enables the bank to monitor the effectiveness of changes in recruitment strategies, and to assess

whether the general quality of the workforce is improving. However, they were generally undecided about whether performance appraisal brings about the need to recruit employees to fill specific gaps.

#### Challenges Associated with the Application of the Performance Appraisal System in the Bank

The main challenges to the effective implementation of the bank's performance appraisal system are lack of regular training for appraisers and employees lack of understanding of the performance appraisal process. Some employees also feel reluctant to request the needed information about the performance appraisal system.

#### **Conclusions**

The study sought to assess the performance appraisal system in the Lower Pra Rural Bank. More specifically, the study generated empirical data in terms of perception of impact of the performance appraisal system on employee motivation and satisfaction; effects of the performance appraisal system on training and development in the bank; the influence of the performance appraisal system on the bank's recruitment and induction; and challenges associated with the application of the performance appraisal system within the bank. From the survey, the performance appraisal system has greatly increased the general satisfaction of employees, resulted in development of plans to improve

performance, and has given employees opportunity to communicate upward views and feelings about the job and greater knowledge of strengths and weaknesses.

The performance appraisal system in the bank makes the need for training of employees more pressing, makes the need for training to be linked to performance outcomes and provides a regular and efficient training needs audit for the entire bank. Again, the performance appraisal system enables the bank to know how well employees who were recruited previously are performing, enables the bank to monitor the effectiveness of changes in recruitment strategies, and enables the bank to assess whether the general quality of the workforce is improving. Challenges to the effective implementation of the bank's performance appraisal system are lack of regular training for appraisers and employees lack of understanding of the performance appraisal process. The findings of this study are useful for planning, reviews of banking performance appraisal policies and programmes, implementation, monitoring and evaluation purposes.

### **Recommendations**

Given the lack of understanding of the performance appraisal system, there is the need for management to ensure that all employees are adequately educated on the system. The education could cover the aims and objectives of the system; benefits to the internal stakeholders: workers, management and the bank; details of the appraisal cycle, its various elements including methods and documentation; the importance of appraisal interview, the uses of appraisal data; and how to identify training and development needs of employees.

Critical incident technique may be used to identify difficult problems at work, content analysis of working documents and performance questionnaire whereby managers and appraisers identify characteristics that most affect employees and those that least affect employees. The information can then be collated for discussion involving appraisers, appraisees and those who design the appraisal procedure. This procedure can also be adopted for the identification of relevant criteria for performance appraisal. In addition, management should embark on vigorous appraisal training programmes for all employees. Appraisers should be systematically trained to fully understand the principle of goal setting and performance measurement.

The appraisal procedure should be efficiently administered to ensure that all components of an ideal appraisal system are recognized. The appraisal procedure should be made up of not only completing forms, but should begin with setting goals and targets, monitoring and measuring performance. These should be complemented by effective appraisal interviews and counselling sessions and identification of training and development needs of individuals and teams in the bank.

To generate the appropriate data to be used for effective human resource management, it is suggested that performance appraisal procedures in the bank should reflect the corporate goals of the bank. The appraisal system must be properly integrated into the organisation's human resource strategies and corporate planning. This calls for the proactive role of the human resource department in the strategic planning of the bank.



### **Suggestions for future research**

Further research is suggested on evaluation of performance appraisal that includes the effect of organisational culture on performance appraisal processes in the rural banking industry. Additionally, further research efforts could be focused on comparing the effectiveness of previous performance appraisal with transitional performance appraisal forms.

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**APPENDICES**  
**APPENDIX I**  
**QUESTIONNAIRE FOR STAFF**

Dear Respondent,

This study is being conducted to assess the performance appraisal system in the Lower Pra Rural Bank. This is in partial fulfillment for the award of a Master of Arts Human Resource Development. I am therefore soliciting your support cooperation and consent to help me fill out this questionnaire. I assure you that information provided will remain confidential.

**Section A: Background information**

Instructions

- Where alternatives have been provided kindly tick the appropriate response
- For multiple responses, more than one answer is applicable
- For other questions write your answers in the space provided

1. Age (in completed years) .....

2. Sex: Are you?

- 1. Male [ ]
- 2. Female [ ]

3. What is your level of education?

- 1. Primary [ ]
- 2. JSS/Middle school [ ]



- 3. Secondary [ ]
- 4. Tertiary [ ]
- 5. Other (specify).....

4. How long have you been working with this bank? .....

5. Which department or unit within the bank do you work?

- 1. Banking operations [ ]
- 2. Internal audit [ ]
- 3. Accounting [ ]
- 4. IT department [ ]
- 5. Loans/Advances [ ]
- 6. Other (specify).....

6. How many times in a year have you been appraised?

- 1. Never [ ]
- 2. Once [ ]
- 3. Two or three times [ ]
- 4. More than three times [ ]

7. How long is it since you last had appraisal .....

8. Are you involved in the bank's appraisal decision making?

- 1. Yes
- 2. No

**Section B: Employee motivation and satisfaction**

9. Has the fact that you have an appraisal system affected your general satisfaction with the job?

- 1. It has greatly increased my satisfaction [ ]
- 2. It has slightly increased my satisfaction [ ]
- 3. It has neither increase nor decrease my satisfaction [ ]
- 4. It has slightly decreased my satisfaction [ ]
- 5. It has greatly decreased my satisfaction [ ]
- 6. Other (specify) .....

10. To what extent would you say the performance appraisal has led to improved levels of commitment in the bank?

- 1. To a large extent [ ]
- 2. To some extent [ ]
- 3. Not very much [ ]
- 4. Not at all [ ]
- 5. Difficult to say [ ]
- 6. Other (specify).....

11. How would rate your feelings about the performance appraisal system on employee motivation

- 1 Very positive [ ]
- 2 Generally positive [ ]
- 3 Mixed: About equally positive and negative [ ]
- 4 Generally negative [ ]

5 Very negative [ ]

12. The performance appraisal provides me an opportunity for my work efforts to be recognised.

- |                   |   |
|-------------------|---|
| Strongly disagree | 1 |
| Disagree          | 2 |
| Undecided         | 3 |
| Agree             | 4 |
| Strongly agree    | 5 |

13. The performance appraisal has a positive influence on my sense of worth, commitment and belonging

- |                   |   |
|-------------------|---|
| Strongly disagree | 1 |
| Disagree          | 2 |
| Undecided         | 3 |
| Agree             | 4 |
| Strongly agree    | 5 |

### **Section C: Training and development in the bank**

14. Which decisions are performance appraisal results in your organisation are used for?

1. Identification of training needs [ ]
2. Promotion [ ]
3. Transfer [ ]
4. Redeployment [ ]

5. Career development programmes [ ]
6. Identification of potentials [ ]
7. Other (specify) .....

15. What benefits does the performance appraisal in your organisation have had on you as an employee?

1. Greater knowledge of strengths and weaknesses [ ]
2. The development of plans to improve my performance [ ]
3. An opportunity to communicate upwards views and feelings about the job [ ]
4. Other (specify) .....

16. Do you think the appraisal system has led to any improvement in your job performance?

1. Yes, a considerable improvement [ ]
2. Yes, a slight improvement [ ]
3. Neither improvement nor deterioration [ ]
4. No, a slight deterioration [ ]
5. No, a considerable deterioration [ ]
6. Other (specify) .....

17. What benefits do you think the performance appraisal have on the organisation?

1. Improved communications [ ]
2. Generally enhanced motivation of staff [ ]
3. Greater harmonization of objectives [ ]

- 4. Improved corporate performance [ ]
- 5. Other (specify) .....

18. Would you say that all or any promotion/training you have had since joining the organisation was based

- 1. Strictly on current performance appraisal results [ ]
- 2. Partially on current performance appraisal results [ ]
- 3. Has nothing to do with current performance appraisal [ ]
- 4. Other (specify) .....

19. The performance appraisal in this bank makes the need for training of employees more pressing.

- Strongly disagree      1
- Disagree                      2
- Undecided                      3
- Agree                              4
- Strongly agree              5

20. The performance appraisal in this bank makes the need for training to be linked to performance outcomes.

- Strongly disagree      1
- Disagree                      2
- Undecided                      3
- Agree                              4
- Strongly agree              5

21. The Performance appraisal provides a regular and efficient training needs audit for the entire organisation.

- |                   |   |
|-------------------|---|
| Strongly disagree | 1 |
| Disagree          | 2 |
| Undecided         | 3 |
| Agree             | 4 |
| Strongly agree    | 5 |

22. What are your impressions about how the performance appraisal system considers your performance on a job?

1. Outstanding [ ]
2. Very good [ ]
3. Good [ ]
4. Fair [ ]
5. Not quite adequate [ ]
6. Unsatisfactory [ ]

23. Overall, how fairly would you say the performance appraisal system is in the bank?

1. Completely fairly [ ]
2. Very fairly [ ]
3. Reasonably fairly [ ]
4. A bit unfairly [ ]
5. Very unfairly [ ]

24. On the whole, would you say that performance appraisal system in your organisation?

- 1. is working well [    ]
- 2. is working fairly well [    ]
- 3. needs to be modified [    ]
- 4. is not working at all [    ]
- 5. needs to be completely abandoned [    ]
- 6. Other (specify).....

**Section D: Recruitment and induction**

25. What is the impact of the appraisal system on recruitment and induction practices of the bank?

Quality of staff .....

Retention of staff .....

26. The performance appraisal enables the bank to know how well employees who were recruited previously are performing

- Strongly disagree            1
- Disagree                        2
- Undecided                      3
- Agree                            4
- Strongly agree                5

27. The performance appraisal data are used to monitor the effectiveness of changes in recruitment strategies

Strongly disagree	1
Disagree	2
Undecided	3
Agree	4
Strongly agree	5

28. The performance appraisal makes the need for recruit employees to fill specific gaps

Strongly disagree	1
Disagree	2
Undecided	3
Agree	4
Strongly agree	5

29. The performance enables the bank to assess whether the general quality of the workforce is improving.

Strongly disagree	1
Disagree	2
Undecided	3
Agree	4
Strongly agree	5



**Section E: Challenges associated with the application of the performance appraisal**

30. In your view, what are the challenges to the effective implementation of the performance appraisal system in your bank?

.....  
.....  
.....

31. What challenges affect the effective implementation of performance appraisal system in the bank?

1. Poor management support [    ]
2. Poor rating system [    ]
3. Lack of regular training for appraisers [    ]
4. Workers do not understand the appraisal system [    ]
5. Other (specify) .....

Thank you for your co-operation: Please add any comment you would like to make on the back of the questionnaire

## APPENDIX II

### INTERVIEW SCHEDULE FOR HUMAN RESOURCE MANAGER

Dear respondent,

This study is being conducted to assess the performance appraisal system in the Lower Pra Rural Bank. This is in partial fulfillment for the award of a Master of Arts Human Resource Development. I am therefore soliciting your support cooperation and consent to help me fill up this questionnaire. I assure you that information provided will remain confidential.

1. How many are your direct subordinates?
2. Who appraises them?
3. Has your Appraisals system ever been changed?
4. If yes, what necessitated the change?
5. How long have you been using the current Appraisal form?
6. Who were involved in the designing of the current Appraisal system?
7. What factors were taken into consideration when designing the Appraisal system?
8. Would you say that Top Management gives the necessary support for the Appraisal system in your organisation?
9. Are you a member of the strategic planning team of your bank?
10. What is your perception of the present performance appraisal procedure in your bank?
11. What human resource decisions are taken based on performance appraisal results in your bank?

12. How many times are employees appraised in a year?
13. To what extent are appraisers given the necessary training to implement the appraisal system?
14. To what extent are Heads of departments/supervisors encouraged to set and agree on future performance objectives and targets?
15. In your view, what are the challenges to the effective implementation of the performance appraisal system in your bank?

Thank you