

**PERFORMANCE APPRAISAL POLICY AND ITS IMPACT ON EMPLOYEE  
PERFORMANCE - A CASE STUDY OF GUARANTY TRUST BANK IN  
NIGERIA**

By

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Submitted in fulfillment of the requirements for the Degree of

**MASTER OF TECHNOLOGY:  
HUMAN RESOURCES MANAGEMENT**

In the

Department of Human Resources Management

Faculty of Management Sciences

At

**DURBAN UNIVERSITY OF TECHNOLOGY**

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APRIL 2013

## **ABSTRACT**

The research investigation focused on performance appraisal policy and its impact on employee performance in Guaranty Trust Bank in Nigeria. The aim of the study was to ascertain the extent to which the performance appraisal policy at Guaranty Bank contributed to employee performance. Arising out of the performance appraisal reviews, an important finding revealed that the training which employees received resulted in improved job performance. The performance appraisal reviews also showed that when feedback reports were effectively used they consequently improved employee performance.

The research design was quantitative in nature and a closed ended structured questionnaire was used to gather the primary data. The survey method was used for all the employees of Guaranty Trust Bank in Nigeria. The questionnaire was administered to all 150 target respondents using the personal method and a high response rate of 100% was obtained. The data gathered were analyzed using the Statistical Program for Social Sciences (SPSS) for the statistical tests. The initial analysis involved the use of descriptive statistical tools. The main findings revealed that employee participation in the performance appraisal was generally high and this increased job satisfaction and enhanced employee performance. The results also revealed that manager-subordinate interaction was very cordial and this boosted employee performance. Moreover, the majority of respondents preferred performance appraisal to be used regularly for career pathing in the organization. The study recommends a set of guidelines which could be used in improving the current performance appraisal policy and further boost employee performance. The study concludes with directions for future research.

## **ACKNOWLEDGEMENTS**

The successful completion of the research would have been impossible without the support, advice, assistance and encouragement of others.

First and foremost, I would like to thank God for the guidance and for granting me the patience, determination and strength to carry out this study and to my wife for her unconditional love and support.

I feel deeply indebted to my Supervisor Professor D.C. Jinabhai, whose continued guidance, assistance, encouragement, patience and support has been remarkable throughout this study. Thank you for believing in me. Had it not been for you, this work would not have witnessed the dawning of the day. You have been amazing and I am truly grateful.

Special thanks also to my Co-Supervisor Mrs. Melanie Lourens. Thank you for your excellent co-supervision, your positive attitude, remarks, comments and encouragement.

Thank you to all employees from the organization selected who responded to the questionnaire. Your participation was a key for the successful completion of this study.

To my friend Tunde Lawal, thank you for your support, time and effort invested in this study and to the Directorate for Research and Postgraduate Support of the Durban University of Technology for granting me scholarship and financial assistance that assisted me in my research.

I would also like to acknowledge and thank the Guaranty Trust Bank's management and Human Resources Group who contributed towards the successful completion of this research.

## **DECLARATION**

I hereby declare that the Dissertation submitted for the Degree M Tech: Human Resources Management in the Faculty of Management Sciences at the Durban University of Technology is my own original work and has not previously been submitted to any Institution of Higher Education. All the resources that I used for this study are cited and referred to in the bibliography list by means of a comprehensive referencing system.

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**Michael Abiodun Akinbowale**

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# **CHAPTER 1**

## **OVERVIEW OF THE STUDY**

### **1.1 INTRODUCTION**

Performance appraisal is the strength of performance management, which in turn affects the organizational performance. It helps to identify and overcome the problems faced by the employees on his/her work (Mackey and Johnson, 2000:3). Although it has many benefits for the organization, Nurse (2005:1179) states that performance appraisal have the equal probability of having a bad impact on the organization as well as on employee performance.

According to Mackey and Johnson (2000:3), where the performance appraisal improves the work performance and employee satisfaction, it can also demotivate employees and leaves a bad impression on the good employees. Most of the employees do not approve of continuous performance appraisal and also consider it as a burdensome activity (Anderson, 2002:80). According to Kuvaas (2006:509) and Rudman (2003:437), a performance appraisal and employee appraisal is a method by which the job performance of an employee is evaluated (generally in terms of quality, quantity, cost and time) typically by the immediate line manager or supervisor. A performance appraisal is a part of the process of guiding and managing career development in both private and public sectors. It involves the task of obtaining, analyzing and recording information about the relative worth of an employee to the organization. Mani (2002:158) states that performance appraisal is an analysis of an employee's recent successes and failures, personal strengths and weaknesses and suitability for promotion or further training.

The most popular methods used in the performance appraisal process (Mackey and Johnson, 2000; Fletcher and Bailey, 2003; Bond and Fox, 2007) include the following:

- Management by objectives.

- 360-degree appraisal.
- Behavioural observation scale.
- Behaviourally anchored rating scales.

According to Rasch (2004:410), performance appraisal has a positive and negative impact. Employees who receive a good score on his/her appraisal are generally motivated to perform well and maintain his/her performance. Positive feedback on appraisals gives employee a feeling of worth and value, especially when accompanied by salary increases. If a supervisor gives an employee a poor score on his/her appraisal, the employee may feel a loss of motivation in the workplace. Consequently, this can impact on the employee's performance (Cook and Crossman, 2004:527).

Performance appraisal is important for employees at all levels throughout the organization. The parameters, the characteristics and the standard for evaluation may be different, but the fundamentals of performance appraisal are the same. But performance appraisal is more effectively used as the tools of managing employee performance (Anderson, 2002:132).

## **1.2 THE PROBLEM STATEMENT**

The importance of an effective performance appraisal policy cannot be over emphasized in the overall performance of an organization. Performance appraisal policy can have a profound effect on levels of employee motivation and satisfaction (Cook and Crossman, 2004:531). Performance appraisal policy has been known to provide employees with recognition for their work and efforts. Also, the power of social recognition as an incentive has been long noted and recognized (Wilson and Nutley, 2003:94).

The existence of performance appraisal policy indicates to employee that the organization is genuinely interested in the individual's performance and development. This alone can have a positive influence on the individual's sense of worth, commitment and belonging. In both public and private organizations,

the issue of employee performance has attracted attention of practitioners and scholars such that there is a wealth of evidence that there exists a positive causal linkage between effective performance appraisal and employee performance (Nurse, 2005).

According to Rudman (2003:437), performance appraisal policies are part and parcel of modern day organizations. However, performance appraisals are generally multi-purpose policies. Employees and managers have struggled with performance appraisals. Both employees and managers recognize the widespread ineffectiveness and resistance to performance appraisal policy as well as their unintended and undesirable effects (Anderson, 2002:80).

### **1.3 DEFINITIONS OF KEY CONCEPTS**

For the purposes of this study the following main concepts are defined:

#### **1.3.1 PERFORMANCE APPRAISAL**

It is a special form of evaluation involving a comparison of the observed performance of an employee with a performance standard which describes what the employee is expected to do in terms of behaviours and results (Anderson, 2002:19).

#### **1.3.2 PERFORMANCE MANAGEMENT**

It is a method of implementing performance appraisal techniques and administering any subsequent remedial actions (Robbins and Coulter, 2002:44).

#### **1.3.3 EMPLOYEE PERFORMANCE**

It is a process for establishing a shared workforce understanding about what is to be achieved at an organization level (Cook and Crossman, 2004:527).

#### **1.4 AIM AND OBJECTIVES OF THE STUDY**

The primary aim of this study was to investigate performance appraisal policy and its impact on employee performance in Guaranty Trust Bank in Nigeria. This was achieved through the following objectives:

- To evaluate the type of performance appraisal policy that is used in Guaranty Trust Bank in Nigeria.
- To determine the effectiveness of the performance appraisal policy of Guaranty Trust Bank.
- To ascertain the extent to which the Guaranty Trust Bank's performance appraisal policy contributes to employee performance.
- To determine the expectations and responsibilities of the functions to be performed by the employees of Guaranty Trust Bank.
- To recommend strategies improving the performance appraisal policy at Guaranty Trust Bank in Nigeria.

#### **1.5 RESEARCH QUESTIONS**

The purpose of this study was to investigate performance appraisal policy and its impact on employee performance at Guaranty Trust Bank in Nigeria. This study attempted to answer the following questions:

- How effective is the performance appraisal policy of Guaranty Trust Bank in Nigeria?
- What is the impact of Guaranty Trust Bank's performance appraisal policy on employee performance?
- What are the variables that positively impact on the employee performance regarding performance appraisal policy?
- What is the level of awareness of existence of performance appraisal policy in Guaranty Trust Bank?

## **1.6 SIGNIFICANCE OF THE STUDY**

It is expected that the study will help to develop and maintain a quality performance appraisal policy, which will provide an opportunity for employee performance. The research can also be of immense value to the Guaranty Trust Bank in Nigeria as the findings would give management ideas on how to improve employee performance. Finally, the study will propose suggestions to ensure that the employees are performing to capacity in the light of an effective performance appraisal policy.

## **1.7 SCOPE OF THE STUDY**

The scope of the study is limited to Guaranty Trust Bank in Nigeria. It is therefore also an in-house investigation. The study intends to determine the performance appraisal policy and its impact on employee performance in Guaranty Trust Bank. The Guaranty Trust Bank was registered on January 17<sup>th</sup> 1990 by Central Bank of Nigeria (CBN) and was incorporated in July 1990, as a Private Limited Liability Company.

## **1.8 LITERATURE REVIEW**

### **1.8.1 OBJECTIVES OF PERFORMANCE APPRAISAL POLICY**

Performance appraisal is a managerial process that links corporate objectives, performance standards and evaluation to which the performance reviews or performance appraisal are often applied (Pickette, 2003:237). In its broadest sense, performance appraisal serves three major purposes within an organization, namely, administration, development and communication (Scott and Einstein, 2001:113).

According to Anderson (2002:82), administrative functioning can be viewed as staffing, compensation and promotion along with the systems of reward and punishment. Moreover, development refers to the identification and potential for future performance which is linked to personal development planning. In addition,

an effective performance appraisal policy aims to provide feedback to employees about their performance and future goals. Williams (2002:27) states that in a survey conducted by the Institute of Manpower studies, it was revealed that performance management had various aims, including improving organizational effectiveness, motivating employees and improving training and development. However, these were the critical aims documented by the designers of the performance appraisal policy. Performance appraisal policy can also be used as by an organization to guard against cases of wrongful dismissal (Wilson and Nutley, 2003:310). Approaches to performance appraisal policy ranges from relatively simple techniques, such as ranking and traits rating, to the more complex method of behaviourally anchored scales (Tyson and York, 2000:37). According to Scott and Einstein (2001:113), methods also vary with regard to temporal emphasis, either focusing on the rating and ranking or using management by objectives to provide a future focus.

### **1.8.2 THE DEVELOPMENT AND DESIGN OF A PERFORMANCE APPRAISAL POLICY**

According to Williams (2002:3), for many organizations, the primary goal of performance appraisal policy is to improve employee and organizational performance. However, a potential problem with performance appraisal policy and possible cause of much dissatisfaction, is expecting too much from one appraisal policy. Rudman (2003:107) contends that a performance appraisal policy that is effective for developing employees may not be the best for determining pay increases. A properly designed performance appraisal policy can help achieve organizational objectives and enhance employee performance.

According to Tziner, Joanies and Murphy (2001:178), the basic purpose of a performance appraisal policy is to improve performance of employees, teams and the entire organization. Performance appraisal policy may also serve to assist in making administrative decisions concerning pay increases, transfers or

terminations. In addition, performance appraisal policy should be legally defensible. Although a perfect performance appraisal policy does not exist, every policy should possess certain characteristics. Wilson and Western (2001:94) contend that an organization should seek an accurate assessment of performance that permits the development of a policy to improve employee performance. The policy must honestly inform employees of how they stand with the organization.

Cook and Crossman (2004:106) highlight that the fundamental objective of performance appraisal policy is to facilitate management in carrying out administrative decisions relating to promotions, dismissals, lay offs and pay increases. For example, the present performance of an employee is often the most significant consideration for determining whether or not to promote the employee. Managers must recognize that an employee's development is a continuous cycle of setting performance goals, assessing performance as to the accomplishment of the goals and then setting new higher goals (Nurse, 2005).

According to Rasch (2004:409) the individual performance of employees are compared with the standards and objectives set and agreed during the preceding appraisal meeting. Performance appraisal policy is also essential for career and succession planning. It is also of importance to the motivation of the employees, development of behaviour and attitude, alignment of the goals of individual employees and of the organization. Moreover, it is a cultivation of a better relationship between management and employee. Formally, it serves as the written record of the performance of employees (Bond and Fox, 2007:6).

### **1.8.3 TRENDS IN THE DEVELOPMENT OF A PERFORMANCE APPRAISAL POLICY**

According to Tyson and York (2000:321), performance appraisal policy has gone through evolutionary trends which are necessary as events change and new innovations evolve. Mani (2002) claims that evaluating the performance of

employees has presented several challenges to managers. Thus, in the quest for effective management, the performance appraisal technique has been changing.

Wilson and Western (2001:91) contend that earlier performance appraisal policies were concerned mainly with personality and character traits such that knowledge of job and performance were relegated to the background. This appraisal method made the problems of management more complex. According to Worley (2003:21), casual or unsystematic as well as traditional trait appraisals suffered from lack of objectivity. Managers seem uneasy in appraising their subordinates because of the realization that they based their evaluation on subjective standards (Scott and Einstein, 2001:109).

#### **1.8.4 DETERMINANTS OF PERFORMANCE APPRAISAL ON EMPLOYEE PERFORMANCE**

Wilson and Nutley (2003:316) observed that the traditional rating policy focused attention on personal traits and job characteristics. Such personal traits included the ability to get along with the people, leadership, analytical competence, initiative, ingenuity, ability to carry through assignments and seeing that plans and instructions are carried out.

Boswell and Benson (2000:288) highlight that because trait appraisal requires the managers to pass judgement on the personal worth of the subordinate, it is very counter productive. Further, it also led to stereotyping and thus made the appraisal exercises meaningless. According to Tziner, Joanies and Murphy (2001), performance appraisal based on personal trait inhibits the subordinates from expressing their own feelings. According to Lazear (2000), the systematic approach to performance appraisal involved the use of a generalized series of questions, brief written answers to posed questions on an open report with the minimum of guidance given to the appraiser. Although this policy provided systematic feedback of information, the degree of subjectivity and inadequacy of the information is enormous and counter productive (Rudman, 2003:109).



According to Scott and Einstein (2001:114), performance appraisal policy based on personal trait inhibits the subordinates from expressing their own feelings. Even when they do, the superior's position overrides the employees' responses. Consequently, situations like this make the work environment uncomfortable as there is lack of trust as performance appraisal results or evaluations are accepted with shortcomings.

### **1.8.5 IMPORTANCE OF THE PERFORMANCE APPRAISAL POLICY**

One of the key responsibilities of the manager in any organization is to evaluate the performance of his subordinates. The essence of the performance appraisal is to assess the employees' character, attitude, potentials and past performance on the job (Mani, 2002:142).

According to Perez and Falcon (2004:57), if the evaluation system is poor, it will not give adequate effect. Rater's problems like leniency or harshness error, central tendency error, personal bias error, contrast error are also affects the performance appraisal of an employee. Kuvaas (2006:510) states that the halo effect occurs when a manager feels that the employee is particularly good in one aspect of his/her role and awards a similar high assessment for all other areas without objective consideration. Conversely, where an employee has a serious fault or poor element of performance, this can sometimes result in unjustifiably reduced assessment of other areas (Simmons and Lovegrove, 2002:340).

Armstrong and Baron (2005:106) state that each employee should be evaluated by his supervisor and then discuss set objectives for the upcoming evaluation. This discussion should cover the review of overall progress, employee development interest and needs to concentrate on specific areas of development in order to review performance objectives and performance standard.

According to Cook and Crossman (2004), performance appraisals are important for employee motivation, attitude and behaviour development, communicating organizational aims and fostering positive relationships between management

and employees. Performance appraisals provide a formal, recorded, regular review of an individual's performance and a plan for future development. In short, performance appraisals are vital for managing the performance of employees in the organization. To achieve the organization targets there is the need for the employee and manager to discuss targets to be achieved, so that the former is genuinely able to commit to the challenge (Perez and Falcon, 2004:58).

According to Rudman (2003:70), performance appraisal policy was viewed as the single largest factor contributing to the development of the organization. It gives ways to innovative thinking and a determined action to eliminate underperformance, unmotivated and poorly managed and trained employees. All of these start with making on an effective performance appraisal policy established within the organization (Fletcher and Bailey, 2003:398).

Anderson (2002:82) highlight that the regular and proper use of performance appraisal policy gives better results for an organization. Performance appraisal policy may present two faces, namely the positive and negative aspects. For its positive aspect, it aids the organization in building mechanisms that enhance performance among employees as they aim to reach the shared vision and objectives set as one body. This is more of a discretionary effort as it increases the performance of employees and strengthens their commitment and engagement to their shared goals. For its negative aspect, performance appraisal involves a policy of appraisal which is dreaded by several managers and most of the employees such that it undermines the performance of the employees to perform better. Hence, in such case, it is considered as an irrelevant process of performance appraisal policy (Kuvaas, 2006:504).

#### **1.8.6 EFFECTS OF PERFORMANCE APPRAISAL POLICY ON EMPLOYEE PERFORMANCE**

According to Wilson and Western (2001), it is natural for employees to be affected by how well they score on a performance appraisal depending on the

outcomes. Thus, the application of a performance appraisal policy can be either positive or negative. Employees who receive good scores on their performance appraisals are generally motivated to perform well and maintain their performance. Conversely, if a supervisor gives an employee a poor score on his/her appraisal, the employee may feel a loss of motivation in the workplace. Consequently, this can impact on the employee's performance (Kuvaas, 2006:504).

According to Rudman (2003:437), performance appraisal policy is a critical factor in an organization in enhancing the performance of the employee. Further, there is a strong connection between how firms manage their employees and the organizational results they achieve. Simmons and Lovegrove (2002:35) asserted that most organizations differed from the rest in organization structure, customer orientation and human resources. Erdogan (2002) states that human behaviour in organization have also shown that the most harmful thing to organizations is when managers are unable to relate to their employees. Boswell and Benson (2000:288) contend that the human nature is in constant need of recognition and when they are recognized, either positively or negatively, it spurs them to do more. It is contended that one of the instruments through which managers motivate their employees is the use of an effective performance appraisal policy.

Cook and Crossman (2004:530) highlight that an employee whose performance is under review often become defensive. Whenever employee performance is rated as less than the best or less than the level at which employee personally perceives his/her contribution, the manager is viewed as being biased. Disagreement about the contribution and performance ratings can create a conflict ridden situation that festers for months (Mani, 2002:142). Nurse (2005) states that negative feedback from performance appraisal policy not only fails to motivate the typical employee, but can also cause employees to perform worse. Only those employees who have a high degree of self-esteem appear to be stimulated by criticism to improve their performance (Anderson, 2002:91).

According to Worley (2003:20), an appraiser should delineate performance appraisal policy to an employee appraised and not as an opportunity to criticize. It is primarily a way for explaining what could be done better and how the employee should perform better in future. Boswell and Benson (2000:286) state that it is important that the appraiser be well informed and credible, as employees are more likely to view the performance appraisal policy as accurate and fair. Employees are likely to feel more satisfied with their performance appraisal results if they have the opportunity to talk freely and discuss their performance. It is also more likely that such employees will be better able to meet future performance goals (Scott and Einstein, 2001:113).

According to Armstrong and Baron (2005:16), when employees work together effectively and communicate appropriately, the result is continuous and sustainable improvement. Rudman (2003:437) states that to attain overall organizational excellence, individual employees need to work together to find areas where challenges exist, or where performance can be improved. Bond and Fox (2007) highlight that managers and employees can work together to identify related development opportunities. Tyson and York (2000:142) state that when employees understand how their individual roles function within the framework of a team, they can more effectively contribute to the entire organization. According to Williams (2002:27), an easy trap that some employees fall into is concentrating single-mindedly on accomplishing the tasks specific to his/her job, without identifying opportunities to reach out to others for information. As a result, teamwork may not interact regularly. Effective feedback through performance appraisal policy can help employees understand how to seek out opportunities for joint work (Robbins and Coulter, 2002:321).

## **1.9 RESEARCH METHODOLOGY AND DESIGN**

According to William (2006:183), a research design can be viewed as the planning of any scientific research from the first to the last step. Furthermore, it is

a specification of the most adequate operations to be performed in order to test a specific hypothesis under a given condition.

### **1.9.1 RESEARCH DESIGN**

The research will utilize a quantitative research approach. According to De Vaus (2002:97), quantitative research is an empirical research approach in which hypothesis testing is used to discover relationships and facts that are generalisable. A quantitative approach focuses on the study of samples and populations and relies heavily on numerical data and statistical analysis (Neuman, 2000:250).

### **1.9.2 MEASURING INSTRUMENT**

In this study, structured questionnaires were used to collect data. The questionnaires were structured in such a way that respondents were able to answer it easily (Burns and Bush, 2002:129). Thus, the set of questionnaires were structured using the Likert format with a five-point response scale. A Likert scale is a rating scale that requires the subject to indicate his/her degree of agreement or disagreement to a statement (Saunders, Lewis and Thornhill, 2003:3). In this type of questionnaire, the respondents were given five response choices. These options served as the quantification of the participants' agreement or disagreement on each statement of the questionnaire.

### **1.9.3 TARGET POPULATION**

According to Neuman (2000:199), a population is defined as the sum total of all units of analysis from which the sample is drawn. Guaranty Trust Bank in Nigeria is a commercial and third biggest Bank in Nigeria based in Victoria Island, Lagos with staff strength of 150 employees. The number of employees in Guaranty Trust Bank was obtained from the Human Resources Group. The target population in this research was all 150 employees in Guaranty Trust Bank in Nigeria.

#### **1.9.4 SURVEY METHOD**

A survey is a method of gathering primary data based on communication with a representative sample of individuals (Zikmund, 2003:175). William (2006) argues that there are many possible ways of gathering information directly from participants. One of the methods is a questionnaire. According to Neuman (2000:145), the study can be quantitative in nature, as it can be researched involving the use of structured questions in which the response options had been predetermined and a large number of respondents are involved. Creswell (2003:19) further highlights that the study may be quantitative because it is a research technique in which scientific, concrete and projectable numerical data can be statistically analysed from large samples. However, since the target population was only 150 employees, no sampling technique was used. Hence, the use of survey method was justified for all 150 target respondents.

#### **1.9.5 PILOT TEST**

According to Neuman (2000:446), it is essential that the structured questionnaires be pilot-tested before being utilized in the main investigation. A pilot test will be conducted to make sure that all employees understand the questionnaires in the same way. Once the questionnaire was drawn up and finalised, it was pre-tested on fifteen employees who were not part of the target respondents. The aim of pilot testing was to remove uncertainties and ambiguities in the questionnaire.

#### **1.9.6 DATA COLLECTION METHOD**

Data was collected through a survey using questionnaires administered to all 150 employees at Guaranty Trust Bank. A covering letter was used to ensure that respondents were informed of the intentions and purpose for the research. The questionnaire were formulated and designed as simply and logically as possible for ease of understanding. The questionnaire was personally administered by the researcher to the 150 target respondents in Guaranty Trust Bank in Nigeria.

### **1.9.7 DATA ANALYSIS**

All of the data was captured and then analysed using computer based statistical program i.e. Statistical Package for Social Sciences (SPSS) version 15 for Windows. The appropriate statistical tests were used to analyse the data.

### **1.10 STRUCTURE OF THE CHAPTERS**

The chapters that follow are sequenced in a manner that seeks to provide the reader with logical understanding of the overview of the study.

#### **CHAPTER 1**

This chapter introduces the study and provides an overview of the research problem, the research objectives, the significance behind the study and a brief outline of research methodology.

#### **CHAPTER 2**

This chapter provides the discussion of the relevant literature review.

#### **CHAPTER 3**

In this chapter, the research methodology and design is discussed in detail.

#### **CHAPTER 4**

The results from statistical analysis and discussion of the findings are shown in this chapter.

#### **CHAPTER 5**

This final chapter of the dissertation contains the conclusion and recommendations.

## **1.11 CONCLUSION**

Performance appraisal policy is more prevalent in the private sector, but its usage in the public sector is also increasing (Worley, 2003:21). There is a need for an effective performance appraisal policy at Guaranty Trust Bank in Nigeria in order to improve employee performance as the current policy has shortcomings or may be outdated in the light of new emerging trends. Furthermore, it has the potential capacity to improve employee performance and drive organizational performance. For the employees who have a strong desire to find out how well they are doing, this is the only means they have to obtain feedback (Kuvaas, 2006:510).



## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

According to Armstrong (2001:475), the issues of accuracy and fairness in performance appraisal is one of the key research interest. In the field of Human Resources management, performance appraisal may be used as a means of measuring employee performance. The purpose of measuring employee performance is not to indicate only where things are not going according to plan but also to identify why things are going well so that steps can be taken to build on success (Levinson, 2005:4). The goal of performance appraisal is to access and summarize employee performance and develop future work, performance goals and expectations. Performance appraisal therefore is an important human resources function, which provides management with a systematic basis for effectively recognizing and evaluating the present and potential capabilities for human resources. The supervisors should continuously determine how effectively their subordinates are performing different tasks. Employees should be appraised at least once in a year, as this will contribute to increase employee efficiency and performance (Rudman, 2003:437).

Guaranty Trust Bank in Nigeria has a performance appraisal system designed to provide documented, constructive feedback regarding employee performance, spur growth and development. Employees are measured by his/her breadth of knowledge, understanding of roles and contributions to the Guaranty Trust Bank's strategic plan. The performance appraisal policy therefore offers a valuable opportunity to focus on work activities and goals as well as identify and correct existing problems and to encourage future employee performance (Hunt, 2005:2).

## **2.2 THE PERFORMANCE APPRAISAL POLICY AS A MANAGEMENT PROCESS**

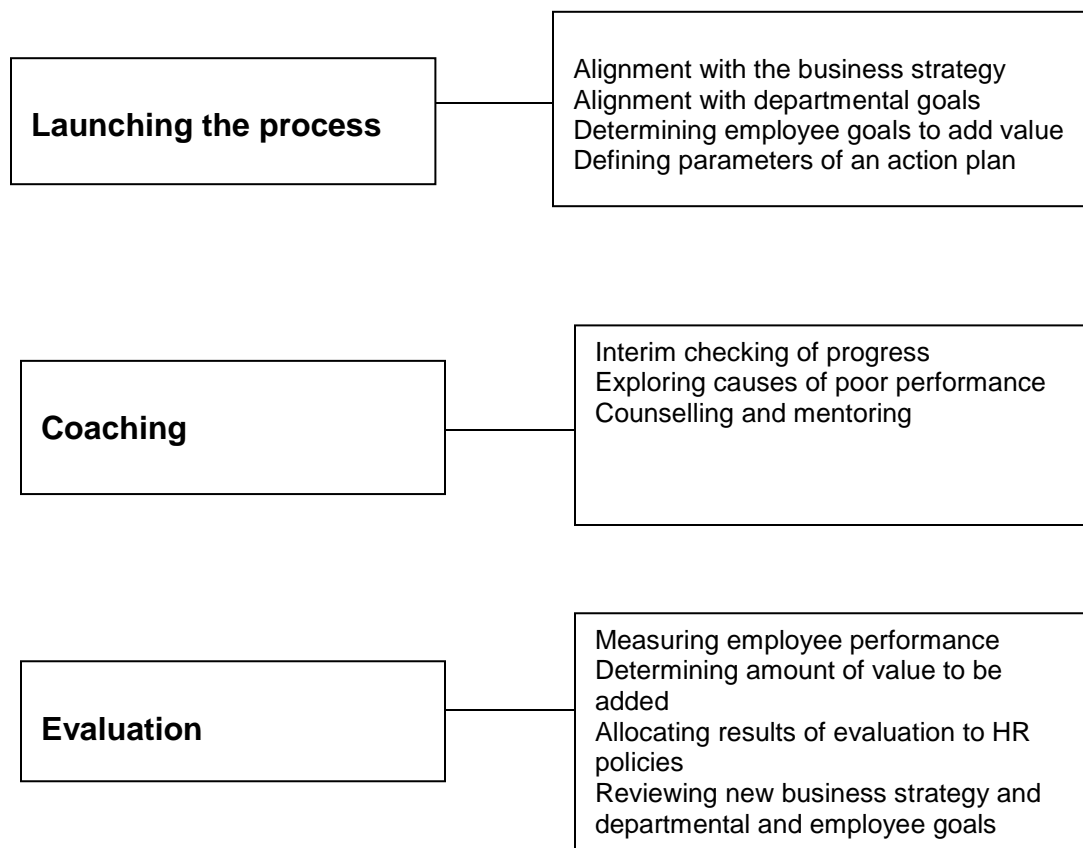
According to Armstrong (2001:474), performance management is a joint process that involves both the supervisor and the employees, who identify common goals, which correlate to the higher goals of the organization. If employees are effectively appraised, then the organization will experience increased performance and improved quality of output (Peiperl, 2005:62). Anderson (2002:197) states that when employees are treated with care, shown trust, listened to and encouraged to do better, then they reciprocate by being responsible and productive. For effective development and utilization of the human talent, performance appraisal policy plays a key role since it enables an organization to identify objectively the employee's strengths and weaknesses (Rudman, 2003:2). The organization will then be able to counsel the employees to improve on weak areas. This will help all the employees to contribute positively to the attainment of the organization objectives (Bates, 2003:5).

According to Bond and Fox (2007:97), performance appraisal policy is smooth and indirect. Most private organizations make greater investment in employee and the skill necessary to be effective with others. It is also used for linking training and development, performance planning and a tool to encourage employees to perform to their optimum potential (Mani, 2002:142). Bates (2003:13) highlights that the policies establish general procedures for such evaluations and delegates oversight on specific formats and detailed procedures to the line manager of an organization. Organization do utilize performance appraisal policies that suit their original strategies, therefore performance appraisal policies vary from organization to organization (Anderson, 2002:14).

## 2.2.1 THE EMPLOYEE PERFORMANCE MANAGEMENT PROCESS IN PERSPECTIVE

According to Schultz (2004:476), the employee performance management process in Figure 2.1 shown the performance management process is placed in perspective.

**FIGURE 2.1 THE EMPLOYEE PERFORMANCE MANAGEMENT PROCESS**



Source: Schultz H.B. (2004:476).

- Launching the process

As highlighted in Figure 2.1 Schultz (2004:476) states that the first stage of the performance management process involves the following steps:

- Manager and subordinate meet to discuss how the organization's strategic goals must be adopted and adapted by the department and employee;
  - Manager and subordinate jointly decide on an action plan to achieve the employee's goals; and
  - Manager and subordinate agree to the type of value and the amount of value that will be added if goals are to be achieved.
- Coaching

Schultz (2004:477) contends that the astute manager is always aware of his/her employee's performance. Whether the organization's objective in managing employee performance is to achieve goals or to add value, employee performance problems must be noticed and analyzed at an early state. According to Schultz (2004:477), supervisors who manage employee performance effectively generally share some characteristics, namely:

- They explore the causes of employee performance;
  - They direct attention to the causes of problems; and
  - They direct communication at employee performance and emphasize non threatening communication.
- Evaluation

According to Halachmi (2005:510), an employee can be measured on the basis of whether the judgement called for is absolute or relative. Fineman (2006:306)

states that relative judgements regarding an employee's performance is based solely on performance standards. Moreover, feedback to the employee can be more specific and helpful because ratings are made on separate dimensions of employee performance.

Armstrong (2001:486) highlights that the employee performance review discussion provides the means through which key elements of performance appraisal policy can be achieved:

- Exchange of views

Ensuring that the discussion involves a full, free and frank exchange of views about what has been achieved and what needs to be done to achieve more and what employees think about his/her work. It also includes the way they are managed and determine his/her aspirations. The employee performance review should take the form of a dialogue, not merely a top down performance appraisal. According to Armstrong (2001:501), it is important to monitor the introduction of performance appraisal policy very carefully but it is equally important to continue to monitor and evaluate it regularly, especially after its first year of operation.

### **2.3 BARRIERS TO PERFORMANCE APPRAISAL POLICY**

According to Dessler and Gary (2000:321), performance appraisal policy is critical to a well-run organization. Such a policy can improve the morale of employees who meet performance expectations and provide fair warning to employees whose performance is unsatisfactory and where improvement is needed in order to meet the standard of the organization. However, ill-prepared evaluations are worse than no evaluation at all. Inaccurate evaluations can come back to haunt the organization in the form of discipline, arbitration, hearing and grievance procedures (Markle, 2000:74). Thus, commitment from the organization to conduct performance evaluations correctly is essential (Mackey

and Johnson, 2000:4). In addition, the selection of a supervisor is very important. Halachmi (2005:510) highlights that managers should be capable of being honest because many performance evaluations exaggerate employee performance.

### **2.3.1 PERCEPTION OF PERFORMANCE APPRAISAL**

According to Fineman (2006:270), performance appraisal policy is the best tool for measuring employee performance and guiding employee development and improvement. However, performance appraisal policy can be a frustrating ritual of the modern organization. Stone (2002:22) states that the most frequent complaint is that a large number of managers are poorly trained in how to give feedback to employees and they provide little coaching, mentoring or support. Moreover, performance appraisal policy procedures are often poorly designed, making the policy cumbersome and difficult to administer. Freeman (2002:2) contends that employees often place the entire burden of the review policy on the supervisor, doing little throughout the year to seek feedback on employee performance, avenues for improvement or development.

### **2.3.2 THE ROLE OF SUPERVISORS AND MANAGERS IN PERFORMANCE APPRAISAL**

According to Decenzo, Robbins and Stephen (2002:236), most supervisors are uncomfortable about being required to conduct performance appraisals. In some cases, managers misuse the performance appraisal policy rating scale. In others, the supervisor lacks proper training in effectively completing the performance appraisal policy. Hunt (2005:4) contends that in many cases the performance appraisal policy is very subjective, requiring the supervisor to add his/her personal commentary regarding the employee's performance. Furthermore, many supervisors are uncomfortable or unable to write such documentation. According to Stone (2002:287), the effects of negative feedback in the performance appraisal policy provides the employee about how the organization

views his/her performance. Byron (2007:713) states that the most important information employees receive from the organization are the actual ratings they obtain through the performance appraisal policy. Such ratings signify recognition, status and future prospects within the organization. Levinson (2005:8) highlights that timely and accurate feedback is beneficial to both the organization and the employee. Such feedback is seen to play a significant role in the development of job and organizational attitudes, particularly when it is accepted and comprehended well. However, in one-third of the cases where negative feedback was given to employees, morale was reduced and employee performance decreased (Wade and Ricardo, 2001:26).

### **2.3.3 IMPORTANCE OF FEEDBACK**

According to Hunt (2005:128), if there is no feedback, motivation to do what is expected does not exist. Ford (2004:551) highlights how employees could be expected to improve, especially in the manner that is expected, if supervisors do not provide the right kind of feedback about employee performance. Rechter (2010:7) contends that organizations often fail to define expectations clearly, give limited feedback relative to employee performance and when they do give feedback, it is often of a negative nature that serves little purpose. Negative feedback especially when it is delivered in an emotional manner does not foster learning. Rather, negative feedback elicits a fear response that motivates employees to seek survival (Fandray, 2001:35).

### **2.3.4 EMPLOYEE ATTITUDES TOWARDS PERFORMANCE APPRAISAL**

According to Stone (2002:3), employees often assume a defensive position when deficiencies are pointed out. This is especially true if pay, recognition or rewards are at stake. In addition, employees will resist a policy that is perceived to appraise or reward unfairly (Freeman, 2002:25). Hunt (2005:2) highlights that conflicts on the purposes and goals of a performance appraisal policy often exist

when implemented. The performance appraisal policy must be part of a performance management policy that emphasizes ongoing communication and coaching in order to motivate the employee (Mondy and Noe, 2008:261). The significant barriers to the implementation of an employee performance appraisal policy are often neglected (Grote and Grote, 2002:232). While performance appraisal policy may improve employee performance, ill-prepared performance appraisal policy can adversely impact on employee performance (Fandray, 2001:35). Wade and Ricardo (2001:26) contend that commitment from the organization to conduct performance appraisal policy correctly is essential. This includes logistical and technical support, in-depth job analysis and on-going training.

According to Roberts (2002:334), managers may often fail to provide timely and accurate expectations and feedback to employees regarding performance. When feedback is provided, it is often communicated incorrectly thereby reducing morale and further reducing employee performance (Stone, 2002:123). Furthermore, employee groups often oppose the implementation of a performance appraisal policy. This is due to a variety of factors including distrust of management's ability, a perception that the performance appraisal policy is unfair and a traditional emphasis on superiority rules (Levinson, 2005:38).

## **2.4 HOW TO MEASURE EMPLOYEE PERFORMANCE**

The most difficult part of the performance appraisal policy is to accurately and objectively measure the employee performance (Bond and Fox, 2007:5). Measuring the performance covers the evaluation of the main tasks completed and the accomplishments of the employee in a given time period in comparison with the goals set at the beginning of the period (Rudman, 2003:4). According to Kuvaas (2006:508), measuring also encompasses the quality of the accomplishments, the compliance with the desired standards, the costs involved and the time taken in achieving the results. Bond and Fox (2007:5) contend that



measuring employee performance is the basis of performance appraisal policy and performance management. Accurate and efficient performance measurement not only forms the basis of an accurate performance review but also gives way to judging and measuring employee potential (Fletcher and Bailey, 2003:360).

For the purpose of measuring employee performance, different input forms can be used for taking the feedback from the various sources like the supervisor, peers and the employee (Markle, 2000:7). According to Rudman (2003:4), all the perspectives thus received should be combined in the appropriate manner and to get an overall, complete view of the employees' performance. Bond and Fox (2007:128) state that some suggestions and tips for measuring employee performance are:

- Organizational outcomes or the achievement of organizational goals should also be kept in mind;
- If possible, collect the feedback about the performance of the employees through multi-point feedback and self-assessments; and
- Also take note of the skills, knowledge and competencies and behaviours of the employees that help the organization to achieve its goals.

According to Anderson (2002:2), for an organization to be effective for its goals, it is very important to monitor or measure its employee performance on a regular basis. Effective monitoring and measuring also includes providing timely feedback and reviews of the employees for their work and performance according to the pre-determined goals and solving the problems faced (Mani, 2002:142). Rudman (2003:12) highlights that timely recognition of the accomplishment also motivates and helps to improve the performance of employees.

According to Aguinis (2009:2), measuring the performance of the employees based only on one or some factors can provide with inaccurate results and leave a bad impression on the employees as well as the organization. For example, by measuring only the activities in employee's performance, an organization might rate most of its employees as outstanding, even when the organization as a whole might have failed to meet the goals and objectives. Therefore, a balanced set of measures should be used for measuring the performance of the employees (Kuvaas, 2006:509).

## **2.5 STRATEGIC OBJECTIVES IN PERFORMANCE APPRAISAL POLICY**

According to Anderson (2002:81), objectives of performance appraisal policies are as diverse and numerous. Performance appraisal objectives should be organization specific, as the policy should be aimed at a specific context for a specific purpose. Kuvaas (2006:505) states that an organization designs its performance appraisal policy and involves management and employees to assist in the design. The organization should provide the managers that are not performance appraisal experts with general performance appraisal policy guidelines (Ford, 2004:551). These guidelines act merely as design input and guide the lay person who does not possess in-depth knowledge of performance appraisal policy design and process (Bond and Fox, 2007:7).

### **2.5.1 PLANNING FOR PERFORMANCE APPRAISAL**

According to Rudman (2003:32), a performance appraisal policy can be used for various planning activities, as well as a strategic planning tool. Williams (2002:27) states that performance appraisal policies are part of a larger set of human resources practices. Furthermore, it is the tool for evaluating the degree to which every employee's day-to-day activities tie in with the goals of the organization. Aguinis (2009:334) highlights that performance appraisal policy can be used for labour planning, both in an audit function and as a tool for forecasting

staffing needs. Anderson (2002:3) states that performance appraisal policy can be used as a strategic input by stating that performance appraisal policy facilitates the creation of a clear vision throughout the organization. Moreover, if linked to the organization's strategic plan, then the performance appraisal policy should enable the organization to transform strategic plans into real accomplishments (Rudman, 2003:32). On a more operational level, goal setting, as an appraisal objective, is also seen as a planning function, as an employee plans his/her future performance with his/her immediate supervisors, through the performance appraisal policy's goal setting objectives (Van-Dijk and Kluger, 2010:2).

### **2.5.2 ADMINISTRATION OBJECTIVES OF PERFORMANCE APPRAISAL**

According to Tyson and York (2000:384), amongst the many objectives that performance appraisal policies may have, the most obvious is that of human resources administration. Furthermore, it provides a classification for the objectives of performance appraisal policy and underscores the administrative objectives as providing an orderly way of determining employee performance. The administrative objective is closely related to the informative objectives, where performance appraisal policy provides management with data on the employee performance with information of his/her perceived strengths and weaknesses (Hunt, 2005:2). Bond and Fox (2007:6) highlight that performance appraisal policy provides flow of information about performance and developmental needs of employees, to enhance future personnel decisions about job assignments and promotion.

### **2.5.3 COMMUNICATION AND MOTIVATION AS ELEMENTS OF PERFORMANCE APPRAISAL**

According to Kuvaas (2006:510), communication and motivation are key elements to employee performance. Moreover, performance appraisal policy creates a learning experience that motivates employees to develop themselves

and improve their performance. Robbins and Coulter (2002:36) highlight that performance appraisal fulfills an important communicative function by reinforcing and entrenching the organization's core values and competencies. According to Mani (2002:141), performance appraisal policy should constitute an open communication, where both manager and employee state what is done well and what needs improvement. Tyson and York (2000:115) state that performance appraisal forms a vehicle for management and employees to develop a mutual understanding of responsibilities and goals. Rudman (2003:13) highlights that performance appraisal frequently have performance goals (e.g. to motivate or improve employee performance) and interpersonal goals (e.g. to maintain a workgroup climate) as specific performance appraisal policy objectives. Anderson (2002:23) contends that staffing, performance appraisals, training and motivation principles are four key policies necessary for ensuring the proper management of an organization's human resources. Furthermore, staffing, training and development is based on performance appraisal policy foundation. Thus, the performance appraisal should aim at contributing information on which these policies can be built (Simmons and Lovegrove, 2002:4).

According to Rudman (2003:15), a performance appraisal policy can improve employee performance and contribute towards employee involvement. However, this can only be accomplished if all employees are involved with the goal setting process (e.g. policy design must allow for joint goal-setting). Poon (2004:330) states that a further facet to the communication objectives of the performance appraisal policy is the ability to give feedback to employees about his/her performance on various tasks. Robbins and Coulter (2002:610) contend that performance appraisal policies are most often employed as a means of providing feedback to employees about their performance on the job. Bates (2003:12) reinforces this view by stating that regular feedback is given, regarding the employee's past and present performance to ensure an improvement in employee performance.

#### **2.5.4 ASSESSMENT OF PERFORMANCE APPRAISAL**

The most obvious objective of performance appraisal policy is that of assessment and the evaluation of an employee's performance, as objectively as possible, against specified job goals (Williams, 2002:1). Moreover, apart from assessing the individual's performance against his/her specific job goals, performance appraisal policy can also be used to assess the employee's capacity for advancement (Armstrong, 2001:465). Through the assessment function of performance appraisal policy, a powerful means of managerial control is created, by the setting of objectives in a hierarchical fashion and a review of success or failure in achieving these objectives (Bates, 2003:12).

#### **2.5.5 EMPLOYEE DEVELOPMENT IN RELATION TO PERFORMANCE APPRAISAL**

According to Garber (2004:63), from a survey conducted in the United States of America, it was found that only 42% of the surveyed employees stated they received feedback regarding their performance from their manager and only 25% indicated that the manager coached them to improve on their performance.

According to Levinson (2005:230), when employee development is addressed, it increases job performance through the measurement and guidance process and secondly, improves the employee's skills and thus facilitates long-term improved performance. Neal (2001:208) states that performance appraisal policies are mainly used for two purposes, namely, judgmental and developmental outcomes. Judgmental refers to the categorizing of employees as good performers or poor performers and developmental outcomes refer to the enhancing of the employee's skills set. Levinson (2005:230) emphasizes operational impacts, attained through performance appraisal policy which provides the basis for improving employee performance. Moreover, gaining commitment and involvement from the employee performance will improve. Fletcher (2001:473)

addresses employee developmental aims by stating that incorporating greater use of employee skills and capabilities, directly and indirectly influences performance. Coens and Jenkins (2000:232) assert that performance appraisal policy can serve as a vehicle to identify and plan around areas where employee needs additional training to enhance their skills set. According to Garber (2004:82), the objective of multi-source feedback (360-degree) was generally aimed at employee development, which organizations are now increasingly using in the context of annual performance appraisal processes.

#### **2.5.6 REWARDS ARISING FROM A PERFORMANCE APPRAISAL POLICY**

According to Ford (2002:551), to transform the organization from best-effort into a results-driven organization, performance appraisal policy should be used to better reward high performers and directly target poor performers for improvement. Armstrong (2001:505) states that performance appraisal should form the foundation for remuneration and reward, based on employee performance. Rudman (2003:56) contends that organizations directly link the performance appraisal policy to salary reviews. Where the score obtained at performance appraisal policy affects the salary increase or where the performance appraisal policy influences the increase then there is no direct link to the performance appraisal policy (Neal, 2001:4).

According to Fletcher (2008:20), whatever the outcome of the performance appraisal policy is, fairness and parity must permeate the policy to ensure that the employees receive a fair and equitable appraisal. Further, it must be noted that apart from the intentional desired and planned outcomes of performance appraisal policy, there are also unintentional, undesired and unplanned outcomes (Grote and Grote, 2002:7). Simmons and Lovegrove (2002:4) highlight that organizational executives were more concerned about the effect of the performance ratings given and whether or not the ratings accurately reflected employees' performance. Pickett (2003:237) contends that the unintentional

effects of the results of performance appraisal policies are widely recognized. The employer should be satisfied that the employee is functioning well, in terms of the needs of the organization. Furthermore, the employee needs to be satisfied that the employer and the organization are looking after his/her needs in relation to an objective performance appraisal (Williams, 2002:10).

## **2.6 EMPLOYEE PERFORMANCE MEASUREMENT IN THE CONTEXT OF A PERFORMANCE APPRAISAL POLICY**

According to Decenzo, Robbins and Stephen (2002:200), a common feature of performance appraisal policies is the use of a form of rating scale to gather judgements about employee's performance. When evaluating these rating scales, reliability, sensitivity, fairness and validity are key issues. Moreover, in using rating scales, acceptable measurement can only be achieved if the factors are clearly defined, understood and interpreted in the same way by all participants (Grote and Grote, 2002:5).

According to Whitney and Trosten-Bloom (2003:102), the constructs of reliability and validity referred to in respect to a performance appraisal policy are as follows:

- Reliability is the consistency with which something is measured and validity is the extent to which an instrument measures whatever it is intended to measure. Thus, in performance appraisal policy terms, it may not be conclusive that a performance appraisal policy is consistent across all employees and those doing the appraising. It may also be uncertain what they are measuring is based on employee performance;
- Sensitivity refers to the extent that the measure reacts to and shows the actual difference in employee's performance; and
- Fairness is the extent to which the measure is free from bias against certain groups of employee on non job related grounds.

According to Armstrong (2001:466), it is important that the criteria for the performance appraisal policies are based upon a good job analysis. Moreover, the content validity of the performance appraisal policy is likely to be adversely affected and the quality of the employee performance data collected is likely to be compromised. Tyson and York (2001:186) state that an accurate job analysis is an essential starting point for the design of a good performance appraisal policy. Levinson (2005:4) asserts that this defines the competencies and elements of employee performance that need to be assessed and provides a common framework that can be used to facilitate consistency across raters (e.g. all employees doing the same job should be evaluated using the same criteria). However, performance appraisal policy involves the use of terms which present inherent difficulties, for example, satisfactory and average (Bond and Fox, 2007:12). Different managers might apply different standards (what is seen as average performance by a manager, might be seen as poor performance by another). One-to-one performance appraisal policy is an interpersonal process and therefore is subjective to the consequent effects of human dynamics (Neal, 2001:5).

### **2.6.1 DISCRETION AND BIAS IN PERFORMANCE APPRAISAL POLICY**

According to the Fletcher (2008:3), the discretion affects the actual performance of employees, thus monitoring raises the possibility that supervisors will sabotage the performance of employees in order to justify their biased ratings. The fundamental attribution error refers to the employees' tendency to account for others' action in terms of dispositional rather than situational causes (Byron, 2007:2). Levinson (2005:4) states that because of this effect employees tend to perceive others as acting as they do largely because they are that kind of employees and ignore the many possible situational causes that may affect their behaviour. Williams (2002:5) highlights that as a result managers might tend to see poor performance as a personal failing on the part of the employee rather than as a problem brought about by lack of resources or poor support. Lefkowitz



(2000:68) contends that positive affective regard, for example, the liking of the employee by the appraiser is associated with:

- Higher ratings on the performance appraisal policy;
- Greater halo effect, thus strength in one area positively affects the appraiser's assessment of employee performance in other areas; and
- Reduced accuracy in the performance appraisal process.

## **2.6.2 EMPLOYEE PERFORMANCE MEASUREMENT AND PERFORMANCE APPRAISAL POLICY**

The problems with subjective forms of ratings do not seem to be entirely eliminated through rater training or re-design of rating scales (Byron, 2007:709). According to Fletcher and Bailey (2003:397), managers are perfectly capable of forming judgements of employee performance that are accurate. Fandray (2001:35) highlights "that rating inaccuracy was often a reflection of a deliberate conscious process of distortion used to serve the rater's agenda and not unconscious bias or error". According to Atkins and Wood (2002:879), employee performance ratings are bunched around either moderate or high performance. Negative information is less likely to be conveyed than positive information. Moreover, a consequence of this is the tendency to rate employees as average or above, due to the interpersonal awkwardness of telling employee their performance is below average (Rechter, 2010:63). Byron (2007:728) states that "there is a tendency to mark at the middle of the scale or higher and raters may avoid giving negative news, because they employ empathic buffering". According to Hunt (2005:268), there is evidence to suggest that in performance appraisal policy, managers are using ratings to achieve goals that are contrary to the goal of providing accurate employee performance ratings. Ratings may be motivated by a fear of conflict with poor performing employee. Moreover, inflation may also be used to improve an employees' performance by increasing self-efficacy (Mackey and Johnson, 2000:8). Managers might also consistently inflate ratings

to protect their employees' reputation as good managers, if employees are seen to be performing poorly and this may reflect badly on the manager (Rudman, 2003:6).

### **2.6.3 THE PURPOSES OF MEASURING EMPLOYEE PERFORMANCE**

According to Rechter (2010:65), the prevailing culture within the organization is often seen as being driven by power of the elite, a clique which controls the organization's norms from above. This is an example of the influence of politics within organizations. Levinson (2005:3) contends that there exists a deliberate manipulation of performance appraisal policy for political purposes, such as getting rid of subordinates and scaring or punishing poor employees. Byron (2007:728) suggests that the impact of political influences is less in the assessment of lower level employees in organizations but has a major impact at higher levels within organizations.

### **2.6.4 THE NEED FOR EMPLOYEE PERFORMANCE MEASUREMENT**

According to Whitney and Trosten-Bloom (2003:7), the problem of rating inflation also appears to be related to the personality of the rater. In situations where poor supervisor ratings are likely to result in conflict, managers high on the personality dimension agreeableness inflate their ratings much more than those who describe as low on the dimension (Smither and Walker, 2004:253). This appears to be because those high on agreeableness rating appear to be particularly keen to avoid conflict situations. Therefore, they tend to inflate their ratings more when they know they will have to continue working with the employee in the future and they are aware that the employee sees his/her as a good performer (Anderson, 2002:2). It also suggests that there should be some component in appraiser training that helps raters to develop skills that will help to deal with conflict. Dessler and Gary (2000:322) contend that the issue of rater self-efficacy in terms of whether the employee believes that they can deal with potential conflict

effectively. On this basis, developing the rater's belief that they can deal with potential conflict from a disgruntled poor employee performance could reduce the rater's motivation to inflate their ratings.

## **2.7 USING PERFORMANCE APPRAISAL POLICY TO ENHANCE EMPLOYEE PERFORMANCE**

According to Whitney and Trosten-Bloom (2003:2), rather than being a means of accurately measuring employee performance, the performance appraisal policy may well lie in using it as a vocational guidance. Rudman (2003:3) states that the roots of the difficulties surrounding the conduct and use of performance appraisal policy include:

- An appraiser's tendency to base their judgements on their beliefs about what has been going on, rather than their performance;
- It is often perceived by employees as being primarily about evaluation when, ideally performance appraisal policy should be about performance, their change and development; and
- It should be about engaging commitment to change on the part of the employee among others, not about forcing compliance.

Neal (2001:98) highlights that performance appraisal policy is supposed to be about reviewing work performance and giving feedback in order to facilitate improved employee performance. Fineman (2006:271) contends that if these conditions are met then the process may be counter-productive. Moreover, performance appraisal policy would generally be effective in increasing employee performance. Markle (2000:5) states that factors found to enhance employees' performance included focusing performance appraisal policy on tasks the employee was highly familiar with and focusing discussion on the task rather than the employees' attributes. Moreover, it may draw attention to discrepancies between actual employee performance and desired performance. Rechter (2010:7) contends that performance appraisal policies are motivational for

employees who are looking to enhance their personal learning, growth and development. Performance appraisal policy is a highly valuable source of information, insights and tools necessary for employee performance.

### **2.7.1 PERFORMANCE APPRAISAL POLICY AND ITS IMPACT ON EMPLOYEE PERFORMANCE**

According to Mondy and Noe (2008:4), in some performance appraisal policies, the employee is passive. Therefore, the employee does not have a significant input to the process. They merely receive an evaluation on their performance over the given performance appraisal policy period. However, in general the performance appraisal policy interview is a sensitive interpersonal situation, where the skill of the appraiser and maturity of both parties are keys to whether a successful outcome is reached. Mackey and Johnson (2000:204) state that in practice, emotional tension and defensiveness is the outcome of the interaction of the superior and subordinate in sharing performance appraisal policy information in the feedback interview. Furthermore, this can be a real block to employee development and while this is a potential danger, it does not have to be the case. Fineman (2006:270) highlights that managers' ability to perceive subordinates' emotions has an impact on the subordinate's satisfaction with the performance appraisal process.

### **2.7.2 THE CONCEPTS OF PERFORMANCE APPRAISAL ON EMPLOYEE PERFORMANCE**

Rechter (2010:25) states that in many organizations performance appraisal policy is still a matter of rewarding employee as individuals. While performance appraisal may be a part of policy which encourages competition between colleagues, these colleagues may be required to perform as team members (Freeman, 2002:196). Thus, an employee may be in an unpleasant position whereby they are officially expected to depend on their performance as an

individual, often in competition with his/her team mates. This emphasis creates a problem for the performance of the employee (Mello, 2010:439). According to Mondy and Noe (2008:5), organizations may not state that employees have to stay at work beyond the usual office hours. However, when an employee sees his/her colleagues staying late they may be reluctant to leave the office due to a feeling that they may not be pulling their weight in some way. The employees join their office culture of staying at work late, while any possible benefits to employee performance may be questionable (Wade and Ricardo, 2001:3). Kuvaas (2006:509) states that with regards to performance appraisal policy, there may be an issue as to how much control the employee feels they have in his/her work environment. Coens and Jenkins (2000:232) carried out a meta-analysis on research studies that looked at participation in the performance appraisal policy and now differentiated between:

- Instrumental participation that allows the employee to influence the outcomes of the performance appraisal policy; and
- Value expression that allows the employee to voice his/her opinions irrespective of the influence this may have.

Freeman (2002:196) indicated a strong relationship between participation and employee satisfaction, with value expression being the more important of the two. Atkins and Wood (2002:879) highlight that multi-rater techniques often allow the employee to rate themselves so that his/her own views can be considered in the performance appraisal policy. Furthermore, it helps employees feel more involved and satisfied with the policy and other raters can be influenced by the employees' self-rating. Fineman (2006:271) contends that when raters were aware that an employee had overestimated his/her performance, the raters tended to inflate his/her ratings of that employee in order to avoid conflict. Coens and Jenkins (2000:232) state that in organizational settings, it is often the case that the employees do not always show what they can do because they do not want to be manipulated. Moreover, performance appraisal policy is supposed to

be about the employee's performance. This should have benefits for the organizations as the employee may often feel that the organization uses the performance appraisal policy to reinforce organizational norms. This may be done by rewarding behaviours which fit in with organizational norms while being negative about behaviours which do not fit in with organizational norms (Anderson, 2002:517). Markle (2000:3) states that this may sometime set aside issues of how appropriate any of these behaviours are in a professional sense.

## **2.8 CHARACTERISTICS OF AN EFFECTIVE PERFORMANCE APPRAISAL POLICY**

According to Mondy and Noe (2008:328), performance appraisal policies are related to human resources as well and used to provide a feedback tool used by employees about his/her performance over a specific period, generally one year. Chaudron (2010:128) states that managers use performance appraisal policy to help employees set goals to improve his/her performance or any other component of performance. Further, organizations also use performance appraisal policy to identify and reward high performers for advancement. Armstrong (2001:496) states that the most effective performance appraisal policies all have a number of key characteristics in common. These trends are highlighted below (Armstrong, 2001:496):

### **2.8.1 MEASURE RESULTS**

According to Aguinis (2009:2), effective performance appraisal policies rely on measured results rather than personal opinions. Employees can be difficult to ignore emotional, political and personal issues when being evaluated during a performance appraisal session. Requiring managers to use documented records of an employee's performance recorded throughout the year can help to avoid biased influences.

### **2.8.2 RANGE OF INPUT**

Levinson (2005:108) states that the most effective performance appraisal policy consider input from a range of sources for each employee under review, rather than relying on a single manager for the entire process. Tyson and York (2000:129) assert that relying on a single employee for performance appraisal policy invites political complications and feelings of resentment into the workforce. Kluger and Nir (2009:237) contend that the popular 360-degree feedback technique collects input from the employee and at the same level as the employee being reviewed by subordinates and employees in addition to supervisors.

### **2.8.3 EMPLOYEE FEEDBACK**

Byron (2007:713) asserts that during the employee performance planning process, both behavioural and results expectations should have been set. Employee performance in both of these areas should be discussed and feedback provided on an ongoing basis throughout the rating periods. In addition to providing feedback whenever exceptional or ineffective employee performance is observed, providing feedback about day-to-day accomplishment and their contributions is also very valuable. Unfortunately, this does not happen to the extent it should in organizations because many managers are not skilled in providing feedback (Ford, 2004:551). In fact, managers frequently avoid providing feedback because they do not know how to deliver it productively in ways that will minimize employee defensiveness (Anderson, 2002:3). For the feedback process to work well, experienced practitioners have advocated that it must be a two way communication process and a joint responsibility of managers and employees, not just the managers. This requires training both managers and employees about their roles and responsibilities in the employee performance feedback process (Smither and Walker, 2004:5). According to Garber (2008:22), the managers' responsibilities include providing feedback in a constructive, candid and timely manner. The employees' responsibilities include seeking

feedback to ensure that they understand how they are performing and reacting well to the feedback they receive. Having effective, ongoing employee performance conversations between managers and employees is probably the single most important determinant of whether or not a performance appraisal policy will achieve its maximum benefits from a training and development perspective (Dessler and Gary, 2000:330).

#### **2.8.4 PAST- YEAR RECORDS OF THE EMPLOYEE**

According to Kluger and Nir (2009:239), effective performance appraisal policy collect records of each year's result for each employee, allowing managers and employees to spot long-term trends in performance, employee strengths and weaknesses. Relying on memory causes managers to place emphasis on recent experiences rather than taking the big picture into account. Using past employee performance data, as well as current year employee performance records, keeps the policy as unbiased as possible and also protects employee against the policy, such as claims of discrimination in promotion policy (Freeman, 2002:344).

### **2.9 COMPONENTS OF AN EFFECTIVE PERFORMANCE APPRAISAL POLICY**

According to Markle (2000:2), communication and training are the basic elements of nearly all human resources activities. However, they are especially important for a performance appraisal policy to be effective. Anderson (2002:32) states that the key components of an effective performance appraisal policy include setting job expectations and employee performance standards, training leadership and employees and developing performance based rewards. An effective performance appraisal policy can impact on job satisfaction and employee performance. Therefore, implementing a training that meets employer and employee needs impact on the overall organization success.



### **2.9.1 EMPLOYEE PERFORMANCE EXPECTATIONS**

According to Aguinis (2009:2), managers and employees should agree on performance expectations in advance of the performance appraisal policy period. Employees cannot function effectively if they do not know what they are being measured against. On the other hand, if employees clearly understand the expectations, they can evaluate their performance and make timely adjustments as they perform their jobs without having to wait for the formal evaluation review (Robbins and Coulter, 2002:350). According to Fletcher (2008:2), performance management begins long before an employee's first annual performance appraisal policy. An employee's first day on the job is the first chance to establish performance expectations. Job descriptions contain a list of tasks and responsibilities. However, employee performance expectations include duties and responsibilities and the manner in which an employee should perform his/her job effectively (Markle, 2000:7). Tyson and York (2000:142) highlight that organizations routinely provide a job description, yet fail to discuss with new employees the purpose of the job and how it relates overall for the organization and the employee. Stone (2002:3) contends that discussions about employee expectations reveal what underlies the day-to-day tasks in the employee's performance description. Clarifying employee performance expectations is one step to creating an effective performance appraisal policy. As a result of non awareness of the employee performance expectations, employee efforts could be wasted or unrecognized (Coens and Jenkins, 2000:232).

### **2.9.2 PERFORMANCE APPRAISAL TRAINING OF RATERS**

According to Simmons and Lovegrove (2002:42), training supervisors and managers on how to conduct performance appraisal policy meetings is just one part of developing an effective performance appraisal policy. Hunt (2005:28) states that every organization conducts performance appraisal for assessing the performance of employees and organization. But if not conducted properly, they can give a false impression about the performance of the employees and affects

the overall performance of the organization. However, leadership training can improve the way employees perceive performance appraisal policy and ratings. Fletcher (2008:9) highlights that learning objectives for supervisor and manager training on performance appraisal policies include understanding the organization's coaching philosophy. Moreover, performance appraisals require the rater to objectively reach a conclusion about performance. Hunt (2005:28) asserts that the use of ratings assumes that the rater is reasonably objective and accurate. However, in reality, raters' memories are quite fallible and raters subscribe to their own sets of likes, dislikes, and expectations about employee, which may or may not be valid. Leadership training helps supervisors and managers understand fundamental practices, policies and techniques for providing employees with constructive feedback (Aguinis, 2009:77).

### **2.9.3 CONTINUOUS OPEN COMMUNICATION ON PERFORMANCE APPRAISALS**

According to Wade and Ricardo (2001:3), most employees have a strong need to know how well they are performing. A good performance appraisal policy provides highly desired feedback on a continuing basis. Freeman (2002:49) states that managers should handle daily performance problems as they occur and not allow them to pile up for six months or a year and then address them during the performance appraisal policy interview. Dessler and Gary (2000:321) highlight that when something new surfaces, the manager probably did not do a good enough job communicating with the employee throughout the performance appraisal policy period. Even though the interview presents an excellent opportunity for both parties to exchange ideas, it should never serve as a substitute for the day-to-day communication and coaching required by performance management (Tyson and York, 2000:142).

#### **2.9.4 CONTINUOUS EMPLOYEE PERFORMANCE REVIEWS AND FEEDBACK**

Rudman (2003:4) states that, in addition to the needs for continuous communication between managers and his/her employees, a special time should be set for a formal discussion of an employee's performance. Bond and Fox (2007:255) assert that since improved employee performance is a common goal of performance appraisal policies, withholding performance appraisal is absurd. Mani (2002:150) highlights that the employees are severely handicapped in his/her developmental efforts if denied access to this information. Dessler and Gary (2000:158) state that a performance review allows employees to detect any errors or omissions in the performance appraisal policy, or an employee may disagree with the evaluation and may want to challenge it. According to Fletcher (2008:1), constant employee performance documentation is vitally important for accurate performance appraisal policy. Although the task can be tedious and boring for managers, maintaining a continuous record of observed and reported incidents is essential in building a useful performance appraisal policy (Rudman, 2003:24).

#### **2.9.5 PERFORMANCE-BASED COMPENSATION AND REWARDS IN RELATION TO PERFORMANCE APPRAISAL**

According to Tyson and York (2001:3), if there is anything to look forward to when performance appraisal policy time comes around, it is anticipating a salary increase. Fletcher (2008:2) highlights that constructing an effective performance appraisal policy requires collaborative work with compensation and benefits to determine allocations for salary increases, incentives and other monetary rewards. Hunt (2005:2) contends that communication with employees is also essential, anticipating a raise but not understanding how salaries and wages are computed in relationship to employee performance can be confusing. This is

where communication is extremely important in developing and effective performance appraisal policy (Mackey and Johnson, 2000:114).

## **2.10 EFFECTIVE EMPLOYEE PERFORMANCE APPRAISAL POLICY**

According to Williams (2002:103), performance appraisal policies are just one component of the overall performance management policy. A performance management policy consists of a performance appraisal method, supported by job descriptions, informal and continuous feedback, manager training, performance standards, disciplinary policies and employee performance. Decenzo, Robbins and Stephen (2002:108) state that the best determinant of performance appraisal effectiveness is how each component complements the other.

### **2.10.1 EMPLOYEE PERFORMANCE STANDARDS**

According to Anderson (2002:73), effective performance appraisal policy rely on employee performance standards to determine how well employees complete his/her job duties, task and responsibilities. Ford (2004:565) states that performance standards indicate what level of effort is required for an employee to meet or exceed his/her expectations. Fletcher (2001:473) contends that employee performance standards provide employee with specific performance expectations for each major duty. They are the observable behaviours and actions which explain how the job is to be done and the purpose of employee performance standards is to communicate their expectation. Performance standards are simple measurements used in the performance appraisal policy (Rechter, 2010:5).

### **2.10.2 EMPLOYEE DISCIPLINE AND RECOGNITION FOR AN EFFECTIVE PERFORMANCE APPRAISAL**

Discipline and recognition appear to be opposite ends of the performance management spectrum. Nevertheless, both are integral parts of a performance management policy (Dessler and Gary, 2000:95). Effective performance appraisal policy consists of constructive feedback for improvement as well as recognition for good employee performance. The ability to address both within the performance appraisal policy enables a balanced employee assessment. In addition, both constructive feedback and recognition are requirements for determining employee skills and aptitude, training and development needs (Coens and Jenkins, 2000:232).

### **2.10.3 LEADERSHIP TRAINING AND DEVELOPMENT FOR RATERS**

Ford (2004:3) states that leadership training for both newly promoted or hired and seasoned supervisors and managers provides instruction on how to facilitate performance management within the department. Hunt (2005:5) highlights that supervisors and managers have two primary functions, managing departmental functions and managing employees. Striking a balance between the two can be challenging for some leaders whose focus usually leaves managing the workforce a lesser priority. Leadership training helps supervisors and managers understand the importance of giving equal attention to operations and the employees (Mondy and Noe, 2008:256).

### **2.10.4 COMPENSATION STRUCTURE AND BENEFITS FOR OBJECTIVE PERFORMANCE APPRAISAL POLICIES**

According to Fletcher (2008:63), another element of an effective performance appraisal policy is what effect performance has on employee compensation. Aguinis (2009:2) states that annual performance appraisal usually suggest a wage adjustment, salary increase or organization bonus as sufficient reward for

an employees whose performance meets or exceeds expectations. However, when performance appraisal policy fails to address whether employees will receive monetary recognition for his/her efforts, it calls into question the effectiveness of a performance management policy. For many organizations, compensation to employee significantly improves their performance management policy (Wade and Ricardo, 2001:25).

## **2.11 PERFORMANCE APPRAISAL POLICY CRITERIA**

According to Poon (2004:322), the criteria against which employees may be evaluated, must be determined when designing a performance appraisal policy. Bates (2003:11) defines criteria as evaluative standards that can be used as yardsticks for measuring employees' success or failure. Furthermore, Armstrong (2001:465) highlights that the performance appraisal policy must be based on an accurate job description, as this provides the criteria against which performance will be appraised. Aguinis (2009:14) states that there are three elements that contribute to good or bad employee performance and should be taken into consideration when designing performance appraisal policy criteria:

- The job content: Job factors must be agreed upon, preferably in the form of a job description which is reviewed at every performance appraisal policy;
- The job context: Here organizational factors that impact on employee performance must also be taken into consideration; and
- The employee: The employee's personality or attributes should not be appraised, but rather the employee's contribution to the organization.

According to Armstrong (2001:504), evaluative criteria are known by many names, for example quantitative/qualitative, subjective/objective and behaviour/trait. Halachmi (2005:510) states that criteria are most often labeled as input and output criteria, where input criteria include personal qualities, activities

and output criteria are characterized by results attained by the employee's performance. Further, there is a preference for input criteria over output criteria, as it is debated that the employee has a greater control over input behavioural criteria (Poon, 2004:322). Also, when criteria are determined it is imperative to involve the employee, as this greatly enhances the employee's perception of the fairness of the performance appraisal policy (Anderson, 2002:132).

Rudman (2003:3) highlights that in some instances employee's change their behaviour to pass arbitrary performance measures as opposed to truly improving delivery as such, thus the importance of determining the correct measure. The difficulty in this process lies with the ever-changing nature of modern business. The employee performance criteria setting process has difficulty keeping up with the pace of the organization needs, quickly becoming obsolete or arbitrary (Mackey and Johnson, 2000:38).

Robbins and Coulter (2002:7) state that the following are used as criteria for measuring employee performance, namely:

- Competence.
- Skill/ learning target achieved.
- Aligning personal objectives with organizational goals.
- Performance.
- Achievement by objectives.
- Contribution to team.
- Working relationships.

However, this is not a finite list of performance appraisal policy criteria and the list of criteria must always be job specific within an organizational context (Neal, 2001:29).

## **2.12 METHODS OF PERFORMANCE APPRAISAL POLICY**

According to Aguinis (2009:77), the performance appraisal methods an organization uses should meet the needs of its workforce. In a production oriented environment, a graphic rating scale is more suitable than a narrative essay method. Hunt (2005:2) states that on the other hand, using a narrative essay method is better suited for a smaller workforce of professional employees whose career objectives are different from production employees. Freeman (2002:34) contends that a fast paced working environment might rely on quicker methods to produce evaluations as part of the performance appraisal policy.

### **2.12.1 MULTI-RATER FEEDBACK (360-DEGREE APPRAISAL)**

According to Hunt (2005:10), 360-degree appraisal is the latest approach to evaluating employee performance. It is a popular performance appraisal policy that involves evaluation input from multiple levels within the organization as well as external sources. Bond and Fox (2007:143) assert that 360-degree appraisal is a performance appraisal approach that relies on the input of an employee's superiors, colleagues and subordinates. Mello (2010:439) highlights that performance feedback is a strategic way of measuring, evaluating and influencing employee activities in the past, presently and in the future. Specifically, the 360-degree appraisal policy is a process that involves an employee or the manager receiving feedback about his/her competencies, activities and performances. Hunt (2005:37) contends that organizations need broader measures of employee performance to ensure that performance deficiencies are addressed in a timely manner. Employee behaviours are being channeled in the appropriate direction toward performance objectives that are consistent with the work unit and employees are provided with appropriate and specific feedback.



### **2.12.1.1      DISADVANTAGES OF 360-DEGREE APPRAISAL**

According to Smither and Walker (2004:572), the use of the performance appraisal policy serves an important purpose and has advantages in a public organization as it helps identify an employee's weakness and strengths and also helps facilitate appropriate development. It helps the employees understand how they are viewed by others. It enhances and improves communication following the identification of certain problems and it helps determine appropriate rewards and compensations, in the form of promotions, wages, merit pay bonuses and retention (Garber, 2004:82). It is particularly helpful for management as it helps identify specific training needed to correct an employee's deficiencies and it is also helpful in raising an employee's motivation.

Performance appraisal methods like the 360-degree appraisal policy moves away from the traditional way in which an employee is being assessed by one person, manager or supervisor (Peiperl, 2005:22). It is simple to understand how the 360-degree appraisal could be used as one's personal and developmental roadmap to plan one's career path. The fact that the 360-degree appraisal policy is all encompassing, detailed and focused, allows the employee being evaluated to chat an all round corrective measure (Halachmi, 2005:365). From the point of human resources practices this type of performance appraisal policy could be highly intuitive, subjective and open to personal bias or halo effect, whereby a rater lets one negative or positive characteristics of an employee influence the total rating of the employee (Hunt, 2004:137).

### **2.12.1.2      THE LIMITATIONS OF 360-DEGREE APPRAISAL**

According to Chaudron (2010:6), the 360-degree appraisal does have some shortcomings as it could be time consuming in terms of administration and it could be costly as it requires addressing many characteristics of an employee. Some employees might view this policy as a threatening evaluative tool as it could lead to personal attacks. Halachmi (2005:242) highlights that the main

problem comes when the 360-degree appraisal policy is not well designed and implemented, resulting in feelings of distrust and uncertainty between employees and among co-managers or heads of various departments. To limit some of these noted worries, an organization could decide whose feedback to seek and management should understand that only raters whose ratings are beneficial and do not constitute personal bias or punitive would have a better, more positive outlooks on the policy (Hunt, 2005:20). It is always good to include as many raters as possible as it broadens the scope of data and using anonymous raters could be a better source of valid and honest feedback (Chaudron, 2010:5).

### **2.12.2 MANAGEMENT BY OBJECTIVES**

According to Peiperl (2005:218), employees are evaluated on how well they accomplished a specific set of objectives that have been determined to be critical in the successful completion of their job. Management by objectives is a process that converts organizational objectives into employee objectives. It consists of four steps: goal setting, action planning, self control and periodic reviews (Levinson, 2005:3). Management by objectives methods of performance appraisal are result oriented. That is, they seek to measure employee performance by examining the extent to which pre-determined work objectives have been met (Freeman, 2002:95). Usually the objectives are established jointly by the supervisor and subordinate. Once an objective is agreed upon, the employee is usually expected to engage in a self-audit, that is, identify the skills needed to achieve the objective. Typically, they do not rely on others to locate and specify their strengths and weaknesses. The employees are expected to monitor his/her development and progress (Peiperl, 2005:218).

### **2.12.3 BEHAVIOURAL OBSERVATION SCALE**

According to Bond and Fox (2007:52), behavioural observation scale is a measure used in evaluating the performance of employees, often as part of a formal performance appraisal. Bushe and Kassam (2005:176) highlight that

behavioural observation scale involves a process of identifying the key tasks of a particular job and evaluating how frequently employees exhibit the required behaviour for effective employee performance. The scores for each of these observed behaviours can then be totaled to produce an overall performance measure.

#### **2.12.4 BEHAVIOURALLY ANCHORED RATING SCALES**

This method replaces traditional numerical anchors tool with behavioural prototypes of real work behaviours. Behaviourally anchored rating scales allow the evaluator to rank employee based on observable behavioural dimension (Levinson, 2005:5). Behavioural anchored rating scales are rating scales that add behavioural scale anchors to traditional rating scales. In comparison to other rating scales, behavioural anchored rating scales are intended to facilitate more accurate ratings of the target employee's behaviour or performance (Hunt, 2005:29). According to Chaudron (2010:40), behavioural anchored rating scales have five stages: namely, it generates critical incidents, improving employee performance dimensions, relocates incidents, rating level performance and development of the final instrument.

#### **2.13 ELEMENTS OF AN EFFECTIVE PERFORMANCE APPRAISAL POLICY ON EMPLOYEE PERFORMANCE**

According to Williams (2002:27), organization employers or line managers are routinely required to submit performance appraisal policy reports. These reports serve three purposes, namely, to inform the employee of how well the employee is performing his/her duties. Secondly, to form a work improvement plan if the employee's performance is below standard and thirdly to document the employee's work history in case disciplinary action is required. Aguinis (2009:2) states that a supervisor observes the employee in a variety of work-related tasks and then evaluates the employee based on his/her performance and behaviour. Freeman (2002:17) highlights that a formal review provides feedback to the

employee on quantity and quality of work performed. This feedback can be positive, negative or neutral depending on the results of the performance appraisal policy and the review also provides an opportunity to establish work-related goals towards which the employee can strive in the coming year. Stone (2002:1) suggests that work improvement plans may be used when employee performance is below standard. This is a form of contract between the employee and the supervisor that identifies specific performance to be improved. Coens and Jenkins (2000:13) contend that identified in the performance appraisal policy are specific training the department will provide as well as monitoring procedures and periodic testing that will be used to evaluate the employee performance again.

According to Levinson (2005:87), the organization must develop a policy on how the performance appraisal process is to be accomplished and such a policy must be organization specific. Well prepared job descriptions, performance goals and expectations are an essential precursor to the evaluation process. Mondy and Noe (2008:20) assert that observations by supervisors on employee performance must be properly documented throughout the rating period and such observations must be highly objective. Stone (2002:3) contends that performance appraisal policy should include directions on how to gather necessary information from the employee, how to prepare the document and how to finalize the document. In addition, management should review the prepared document before the document is accepted and signed by the rated employee. The review should include auditing the performance appraisal policy for accuracy, meeting with the rated employee, discussing employee performance and looking for potential problem areas (Wade and Ricardo, 2001:1). The performance appraisal policy must be explained in the employee guide thus the employee knows how his/her will be evaluated. Keeping the process secret will only cause future problems including less than optimum employee performance (Mello, 2010:44). When employees know each step of the process, they are better motivated to meet the standards that must be met (Dessler and Gary, 2000:123).

### **2.13.1 THE BASIS FOR EFFECTIVE PERFORMANCE APPRAISAL POLICY**

Hunt (2005:2) states that the use of specific facts to support ratings high and low is drawn from personal observations. The observations of other supervisors and other documented events generated during the performance appraisal policy period are also taken into consideration. According to Fletcher (2008:3) accuracy is essential, particularly if the performance appraisal policy has negative elements that may impact on future employee performance. Aguinis (2009:42) cautions supervisors on effects that may cloud a supervisor's thinking and these include the halo effect, the harsh and lenient effects, the central tendency effect and the stereotype effect. Each of these effects can cloud the judgment of the evaluator. Robbins and Coulter (2002:23) suggest that the process that should be followed when conducting performance appraisal policy is for employee and supervisor to have a meeting at the beginning of the evaluation period. Expectations must be discussed along with factors regarding the work performance in relation to the employee's job description. In addition, personal and organizational goals must also be discussed which the employee is committed to achieve.

### **2.13.2 PERFORMANCE APPRAISAL AS A POLICY FOR MANAGING EMPLOYEE PERFORMANCE**

According to Freeman (2002:9), employees often find themselves in situations where they must change direction frequently. Therefore, the employee seeks constant feedback to determine whether the direction they are working is what is expected by the organization. Rechter (2010:239) contends that the performance appraisal policy for employees must be frequent, accurate, specific and timely. Fletcher (2008:3) highlights that it is becoming increasingly popular for organizations to ask employees to evaluate the performance of their colleagues and it is especially true with the increased focus on the use of teams in the workplace. Hunt (2005:3) states that while there is general agreement that peer evaluation provides a more complete picture of employee performance, the

acceptance of peer performance appraisal policy by employee is generally low. Levinson (2005:427) contends that peer evaluation may be guided by social comparison processes whereas, because of the obviously different supervisor-subordinate relationship, supervisor evaluations would likely not follow a social comparison process. According to Dessler and Gary (2000:24), many organizations are scrapping the traditional performance appraisal policy in favour of performance management. Wade and Ricardo (2001:319) highlight that a new approach focuses on coaching and feedback. In such a policy the manager and the employee agree upon goals. Goals should be flexible to reflect changing conditions in the economy and workplace and employees should think of their managers as coaches who are there to help them achieve success.

#### **2.14 PERFORMANCE APPRAISAL POLICY IN GUARANTY TRUST BANK IN NIGERIA**

Guaranty Trust Bank in Nigeria is one of Africa's foremost Banking groups. In order to support its overall objectives related to performance management, the bank moved from a paper-based to a computer-based process of performance appraisal policy. This was done to improve performance appraisal completion rates, policy reliability and overall performance appraisal quality, making the policy more reliable and reduce the time needed to complete performance appraisals. Performance appraisal policy as an ongoing process is firmly embedded in Guaranty Trust Bank's values. The performance appraisal policy aims to ensure that employee output and behaviour as well as business unit performance are aligned with strategic and financial objectives. Employees are taken through annual performance appraisals as they set annual performance and behavioural objectives. Guaranty Trust Bank, with the vision of becoming a leading housing solutions provider with superior financial strength is of the view that managing the performance of employees and utilization of abilities are critical for improving the Bank's efficiency. It is also a continuous increase in the value offered to customers, namely, the shareholders and partners.

## **2.15 CONCLUSION**

The adequate performance of employee's based on performance appraisal policy will result in improvement in employee performance. Feedback, particularly on interpersonal (supervisor-subordinate) basis will be found to be useful and highly effective in motivating employees to improve their performance. It can also be contended that, promotion and salary increment of the employee in Guaranty Trust Bank may be greatly influenced by properly organized and executed performance appraisal policy. In addition, it can improve communication and the quality of working life and make employees feel that they are valued by the organization.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY AND DESIGN**

#### **3.1 INTRODUCTION**

According to Saunders, Lewis and Thornhill (2003:2), research is an investigation of the effects of one or more independent variables on one or more dependent variables. Research also refers to techniques used to structure a study and gather and analyze information in a systematic way (Babbie, 2005:209). This chapter focuses on the methodology of this particular research. It describes methods and procedure used for the construction of the research design, the collection of data, the verification of data reliability and validity, the analysis of data and the overall research strategy used by this study. The purpose of the chapter is to fully describe how the research was conducted without showing the research results that are instead presented in the next chapter. When undertaking research either a quantitative or a qualitative research methodology can be adopted. The quantitative research methodology was chosen for this particular research, with the survey method being the central tool used. Cooper and Schindler (2006:216) state that quantitative research attempts precise measurement of something. Quantitative methods involve the use of numerical measurements and statistical analyses of measurements to examine social phenomena (Saunders, *et al.*, 2003:30). The fundamental principle in quantitative research design is that correlations do not imply causation, which is the relationship between cause and effect. This principle follows from the fact that it is always possible that an apparent but not actual valid relationship exists for variables between which covariance is found to some degree. Association may be examined between any combination of continuous and categorical variables using methods of statistics (Creswell, 2003:15).



## **3.2 RESEARCH DESIGN**

Research design constitutes the blueprint for the collection, measurement and analysis of data (Cooper and Schindler, 2006:192). There were no known standard measures immediately available to address the problem and hypotheses and therefore the researcher had to draw on the questionnaire that was adapted from the research done (Zikmund, 2003:227). Research is a systematic, methodical search for specific information on a precise, defined theme (Neuman, 2000:250). Williams (2006:1) explains that there is no single strategy for planning research. The research design is governed by the idea of fitness of purpose. The objectives of the research determine the methodology and design of the research.

According to Saunders, *et al.* (2003:72), the research design is concerned with finding things out systematically. It is also a plan for the collection and analysis of data with the intention of answering the research questions. Babbie, Mouton and Prozesky (2002:75) state that a research design has two key functions. The first relates to the identification or development of procedures and logistical arrangements needed to undertake a study. The second emphasizes the importance of quality in these procedures to ensure their validity, objectivity and accuracy. Burns and Bush (2002:120) highlight that a research design, which is a function of the research objectives is defined as a set of advance decisions that make up the master plan specifying the methods and procedures for collecting and analyzing the needed information.

### **3.2.1 QUANTITATIVE RESEARCH DESIGN**

According to Creswell (2003:155), quantitative research is the collection of numerical data and exhibiting a view of the relationship between theory and research. Quantitative research is associated with closed-ended questions. The data analysis proceeds by using statistics, tables, charts and graphs in relation to the hypothesis. Moreover, quantitative research is predominantly used as a

method adopted for any data collection technique such as a questionnaire or data analysis procedure, such as statistics or graphs that generates or uses numerical data. Cooper and Schindler (2006:198) articulate that quantitative research is often used for testing a theory and focuses on describing, explaining and predicting data with the use of statistical and mathematical methods. Zikmund (2003:98) highlights that the researcher generally knows in advance the important variables prior to designing a quantitative study. In essence, quantitative research is most commonly encountered as part of formal or conclusive research and the aim of this technique is to determine the relationship between an independent variable and a dependent or outcome variable in a population (O'Leary, 2004:75).

### **3.3 TARGET POPULATION**

O'Leary (2004:102) defines a population as the total membership of a defined class of people, objects or events. Neuman (2000:24) contends that the researcher must know exactly what is included in the population that will be studied. One of the tasks of the researcher is to identify and adequately describe the population to which the results are intended to apply (Black, 2002:21). The total population of employees at Guaranty Trust Bank in Lagos offices in Nigeria is 150 employees. For the purpose of this research, the target population was all 150 employees in Guaranty Trust Bank in Nigeria. Guaranty Trust Bank was selected because, it is the third biggest Bank in Nigeria and the employees would be in a good position to give the researcher useful information about the impact of performance appraisal policy on employee performance of the organization.

### **3.4 SAMPLING TECHNIQUES**

Sampling is the process of selecting a sufficient number of elements from population. In terms of theory, the two basic types of sampling techniques available are probability and non-probability sampling. According to Babbie

(2005:196), the method of purposive sampling is a type of non-probability sampling where researchers rely on their experience, ingenuity or previous research findings to collect information from sample members of the population. Moreover, owing to the uniqueness of its nature, non-probability sampling includes convenient, purposive and snowball sampling procedures as opposed to the statistical principal of randomness in probability sampling (Babbie, *et al.*, 2002:139). Probability sampling is seen as the best way of selecting a sample that is representative of the population from which it is drawn. In probability sampling, every element has an equal chance of being selected for the sample. Probability sampling allows for the calculation of the desired sample size for the margin of error may be minimized (Babbie, 2005:196). De-Vaus (2002:212) states that a large sample allows for drawing more representative and accurate conclusions and generalizations. In other words the larger the sample the smaller the sampling error. Generalization is a very important aspect in the results of a study. It extends the study results to the larger population. However, small samples may not provide enough scope for generalization. Black (2002:39) asserts that small sample size can impact on statistical tests and can make them insensitive or over-sensitive. Another aspect of sampling is bias. According to Babbie (2005:196), sampling bias refers to the systematic over or under-representation of some segments of the population in terms of characteristics relevant to the research questions.

### **3.5 SURVEY METHOD**

Creswell (2003:155) states that the survey method entails the use of a questionnaire to gather facts, opinions and attitudes and it is the most popular way to gather primary data. Survey research method involves the structured collection of data from a sizeable population. Although the term survey is often used to describe the collection of data using questionnaires, it includes other techniques such as structured observation and structured interviews (Saunders, *et al.*, 2003:138).

According to Babbie, *et al.* (2002:232), surveys may be descriptive and explanatory. They are generally used in study that has individual people as the unit of analysis and used by social scientists interested in collecting original data for describing a population too large to observe directly. Burns and Bush (2010:266) state that a survey involves interviews with a large number of respondents using a pre-designed questionnaire. Large number of respondents may be required in order to collect a large sample of important sub-group to ensure that the study accurately represents a large target population. Data collected using a survey method can be used to suggest possible reasons for particular relationships between variables and to produce models of these relationships (Saunders, *et al.*, 2003:138). For this study, since the target population was only 150 employees, no sampling technique was used. Hence the use of survey method was justified for all 150 target respondents of the Guaranty Trust Bank in Nigeria.

### **3.6 MEASURING INSTRUMENT**

The objective of a measuring instrument is to gather data that represent quantities of what is being measured. According to Cooper and Schindler (2006:309), measurement in research consists of assigning numbers to empirical events, objects or properties with a set of rules that incorporates a three part process. This process of selecting the empirical events is followed by developing mapping rules of assigning numbers that represent what is being measured and finally applying the mapping rules to each event that is measured. In this study, data were collected by way of pre-coded questionnaires which served as the most appropriate instrument. Structured self-administered questionnaires were designed for collecting data. Data may be collected through a variety of methods using the appropriate instruments (Black, 2002:2). According to the De Vaus (2002:166), questionnaires are the most frequently used data collection instrument. A questionnaire is a collection of questions based on the subject of interest to the researcher and completed by respondents. Questionnaires are

also called surveys for quantitative research and are sometimes referred to as survey research (Burns and Bush, 2002:289).

The structured close ended questionnaire was used because it is the simplest and least expensive method of obtaining information from large numbers of subjects. It permits anonymity and may result in more honest responses. If well designed, questionnaires can be used to collect data. The disadvantage is that questionnaires depends on how the questionnaire are phrased and therefore may be biased or inaccurate (Burns and Bush, 2002:289).

### **3.7 THE PILOT TEST**

According to Neuman (2000:142), the purpose of a pilot test is to refine the questions in order to ensure that there are no uncertainties and ambiguities. A pilot study is a trial run of a larger study that is conducted in preparation for that study; it can involve pre-testing or trying out (Cooper and Schindler, 2006:149). The purpose of a pre-test is to ensure that the questionnaire meets the researcher's expectations in terms of the information that will be obtained (Creswell, 2003:195). Therefore, a pilot study was conducted on a sample of 15 employees who were not part of the target respondents.

According to Burns and Bush (2002:42), a pilot study is often defined as a smaller version of a proposed study and is conducted to refine the methodology. A pilot study allows the researcher to test the prospective study and is done on a small number of employee having characteristics similar to those of the target respondents. The pilot test helps to identify possible problems in the proposed questionnaire and allows the researcher to revise the methods and instruments before the actual study. In other word to improves the success and effectiveness of the study (De-Vaus, 2002:206). Saunders, *et al.* (2003:309) highlight that pilot testing helps to refine the questionnaire so that the respondents will have no problems in answering the questions. Babbie (2005:230) argues that it will allow the researcher to evaluate the strength and dependability of the data gathered

through the questionnaire. The researcher can also involve an expert to look into the appropriateness of the questions as well as the composition of the questionnaire before pilot testing. This will assist the researcher to make the necessary changes as well as ascertain the dependability of the questionnaire theme before pilot testing (Wiid and Diggins (2009:192). After the pilot test was conducted, a few questions were refined to limit any ambiguity. The fine tuned question was then administered to all 150 target respondents at Guaranty Trust Bank.

### **3.8 VALIDITY AND RELIABILITY OF THE QUESTIONNAIRE**

Validity and reliability of the questionnaire are the most important criteria for evaluating quantitative instruments. Consistency is associated with the term reliability while accuracy is associated with the term validity (Creswell, 2003:37). It is therefore apparent that if any interpretations of the findings are to be made, the credibility of the questionnaire must be established through the determination of its reliability and validity (Walliman, 2004:82). In general, the primary objective of research is to investigate a problem area and present findings based on data collected. To be effective, Cooper and Schindler (2006:318) assert that the characteristics of good questionnaire are the validity, reliability and practicality of the questionnaire tool. Thus, achieving the three outputs determines how well the data will be collected and analyzed to achieve good questionnaire.

#### **3.8.1 VALIDITY OF THE QUESTIONNAIRE**

Validity of the measuring instrument refers to the degree to which an instrument measures what it is supposed to be measuring. In other words, a valid instrument actually measures the concept it is supposed to measure (De-Vaus, 2002:160). According to Cooper and Schindler (2006:318), three main approaches for assessing the validity of the instruments designed to collect quantitative data, namely: content validity, criterion related validity and construct validity. In this study, construct and content validity was used to assess the validity of the

instruments by means of assessing the adequacy, appropriateness, inclusiveness and relevancy of the questions to the respondents under study.

Content validity of an instrument means validating the fact that the instrument designed does represent the factors and this is substantiated by the pilot test (Cooper and Schindler, 2006:318). Experts in the specific study field are called upon to judge whether or not the instrument reflects the known content area (Burns and Bush, 2002:275). Face validity is a sub-type of content validity and is not a technical validation. It merely establishes that the tool appears to measure the variables in the content. In other words, it does not examine whether an instrument actually measures what it is expected to measure (De-Vaus, 2002:161). Saunders, *et al.* (2003:315) described validity as the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration. Cooper and Schindler (2006:325) state that the validity of the questionnaire determines how well the questionnaire assists the researcher in solving the research problem. This means that the questionnaire should measure what it is set out to achieve. Babbie, *et al.* (2002:122) described validity as the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration.

### **3.8.2 RELIABILITY OF THE QUESTIONNAIRE**

According to Burns and Bush (2002:2), reliability of the measuring instrument is the consistency with which the instrument measures the questionnaire attributes. This means that administering the same instrument by various researchers will provide the same results under comparable conditions (De-Vaus, 2002:163). Reliability of the measuring instrument can be equated to clarity, quality, stability, consistency, adequacy and accuracy of the measuring tool (Zikmund, 2003:300). According to Cooper and Schindler (2006:319), reliability of the measuring instrument can be estimated in one of the following four ways which is internal consistency, split-half reliability, test-retest reliability and inter-rater reliability. Internal consistency reliability refers to the extent to which all the subparts of an

instrument will measure the identified attributes (O'Leary, 2004:59). After the pilot study was conducted, a few questions were reworded to eliminate any ambiguities and the questionnaire was subsequently refined for administration to the main sample respondents.

### **3.9 DATA COLLECTION METHODS**

Data collection method involves decision and action regarding the collection of the information needed to address the research questions (Creswell, 2003:17). The most widely used survey research techniques are telephone surveys, personal interviews and questionnaires (Zikmund, 2003:44). Walliman (2004:13) stresses that as a method of data collection, the questionnaire is a very flexible tool; however, it must be used carefully in order to fulfill the requirements of a particular piece of research. In this study, data was collected using the personal method through a survey questionnaires administered to all 150 employees at Guaranty Trust Bank in Nigeria. A covering letter was used to ensure that respondents were well informed of the intentions and purpose for the research.

#### **3.9.1 CHARACTERISTICS OF A QUESTIONNAIRE**

A questionnaire is a structured list of questions. The answers to which are ticked by the respondents (O'Leary, 2004:162). Respondents can answer these questions either in their words or by choosing from a set of responses that have been prepared in advance (Black, 2002:7). Creswell (2003:208) states that questionnaire based survey research is extensively used and it is regarded as an appropriate method of research if the individual is the unit of analysis. It often provides irreplaceable ways of determining attitudes, opinions, perceptions and reports of individual behaviour. According to Wiid and Diggins (2009:171), a questionnaire is designed to generate the data necessary to accomplish a research project's objective and further elaborate that the questionnaire has three specific objectives crucial for an effective questionnaire:



- Firstly, it must be translate the information needed into a set of specific questions that the respondents can answer;
- Secondly, a questionnaire must uplift, motivate and encourage the respondent to become involved, to cooperate and to complete the questionnaire; and
- Thirdly, a questionnaire should minimize response error. This is the error that arises when respondents give inaccurate answers or their responses (Wiid and Diggines, 2009:171).

With this in mind the researcher ensured that all questions listed on the questionnaire were not too sensitive or personal. The personal, sensitive and cautionary approach of the researcher allowed for respondents to feel at ease and encouraged to participate in the research collection process comfortably.

### **3.9.2 QUESTIONNAIRE STRUCTURE AND DESIGN**

According to Burns and Bush (2002:129), a poorly designed questionnaire can nullify any investigation or study. O'Leary (2004:162) states that when designing a questionnaire the researcher needs to take cognizance of the following, namely: appearance of questionnaire, question sequence, wording of questions and responses categories. Zikmund (2003:427) contends that the purpose of a study is to achieve the research objectives. Therefore, the questionnaire needs to be concise, asking just those questions which are critical to the research. The questionnaire design of this study was very simple and easy to comprehend. It contained closed ended and pre-coded questions using the 5 point Likert Scale. The questionnaire was divided into two sections. Section A comprised of the biographical data items and Section B consists of items to determine the impact of performance appraisal on employee performance at Guaranty Trust Bank in Nigeria. Statements in the questionnaires were short and easy to understand. Simple, plain language was used in all questions and statements. Respondents

were asked to tick all the boxes of each questionnaire. This approach made it easy for all respondents to understand how to answer.

According to Babbie (2005:359), a questionnaire should be short and understood. This will ensure that the right answers are elicited for the questions posed. Creswell (2003:155) argues that it is better to design a questionnaire that has more pages that have a clear and user-friendly design than the one with fewer pages that have crowded and unfriendly layout. However, it must be mentioned that it is not always easy to design a questionnaire that is simple. The simplicity of the questionnaire is determined by the nature of research problem at hand.

### **3.10 ADMINISTRATION OF THE QUESTIONNAIRE**

There are several ways in which questionnaires can be administered. The basic methods of delivering questionnaires are by mail in a prepaid envelope and personally (Walliman, 2004:17). With regard to using personal method, William (2006:2) highlights that the researcher has to decide whether the questionnaire is to be self-administered. Burns and Bush (2002:202) explain that there are two types of self-administered questionnaires: those that are completed in the presence of the researcher and those that are filled in when the researcher is not in attendance. Walliman (2004:18) highlights that the advantage of the researcher administering the questionnaire is that the questionnaire can be conducted in a variety of situations.

In this study, a self-administered questionnaire (Annexure D) without the presence of the researcher was used. The absence of the researcher is helpful in that it allows all the target respondents to complete the questionnaire in private, to devote as much time as they wish to its completion, to be in familiar surroundings. Furthermore, to avoid the potential threat or pressure to participate caused by the researcher's presence. It can be economical to administer and is

more anonymous than having the researcher present (Walliman, 2004:17). To overcome the possibility of the need for clarification, a covering letter (Annexure C) detailing what the study is about was attached to the questionnaire and clear instructions were given on how to respond to each question.

### **3.11 DATA ANALYSIS**

The responses to the questionnaires were firstly captured to form a data set and thereafter, the questionnaire was analysed statistically using the latest version of the Statistical Package for Social Sciences (SPSS) version 15 for Windows. The Statistical Package for Social Sciences Software helped to breakdown the raw data that was collected into simpler quantitative and tabular form for easy understanding and assimilation. Statistical analyses are the principal tools for extracting, highlighting and organizing information for developing theories, testing hypothesis and drawing conclusions from current investigations (Burns and Bush, 2002:552).

### **3.12 ETHICAL CONSIDERATION**

Ethical issues are critical for any research study as they are required during the planning phase. The researcher sought access from the organization and employees during planning, data collection, analysis and reporting phases of the study. According to Saunders, *et al.* (2003:178), ethics refers to the appropriateness of the researcher's behaviour in relation to the rights of those who become the subjects. De-Vaus (2002:57) defined ethics as a preference that influence behaviour in human relations. Ethics is mostly associated with morality and deals with issues of right and wrong among groups, society or communities. It is therefore important that everyone who is dealing or involved in research should be aware of the ethical concerns (Cooper and Schindler, 2006:124). The following ethical issues, though not exhaustive, has been identified as important to be considered during any research. Informed consent, avoidance of harm,

violation of privacy, anonymity and confidentiality, deceiving respondents or concealing of information and debriefing respondents (Babbie, *et al.*, 2002:12).

With regard to this study, the aim and objectives were conveyed to the relevant authority in the Guaranty Trust Bank in Nigeria during the process of acquiring permission to conduct research. A letter of informed consent (Annexure B) was given by Guaranty Trust Bank in Nigeria to give permission to conduct the research. All target respondents were told that their participation was voluntary and that they had the right to withdraw from the study at any time if they wished. Anonymity and confidentiality were promised. In addition, a covering letter (Annexure C) which explained the aim and objectives of the study accompanied each questionnaire.

### **3.13 CONCLUSION**

This chapter dealt with the research methodology as well as the research design. The quantitative method was used in this study and the research design further focused on data collection. In this study, data were collected by means of a structured questionnaire. The aspects of questionnaire design, such as, content and format were emphasized. The survey method was used as the target population was only 150 respondents.

Having discussed the statistical test that was used in this study, the next step is to analyze the data and use the statistical tests to interpret the information in a meaningful manner. In other words, statistical analysis is undertaken to make sense of what has been collected (Walliman, 2004:13). Furthermore, the chapter concluded by revealing the importance of ethical consideration pertaining to data collection method. The personal method was used to collect the data.

Chapter four is dedicated to the analysis of the data and discussion of the findings arising from the empirical analysis.

## **CHAPTER 4**

### **ANALYSIS OF DATA AND DISCUSSION OF FINDINGS**

#### **4.1 INTRODUCTION**

This chapter presents the results that were obtained through the questionnaires (Annexure D) with the aim of analyzing, interpreting and discussing the findings of the study. The target population comprised of 150 respondents. The structured questionnaires were personally administered to all 150 target respondents. Section A comprised of the biographical information of the respondents and Section B consisted of specific questions to determine the impact of performance appraisal policy on employee performance at Guaranty Trust Bank in Nigeria.

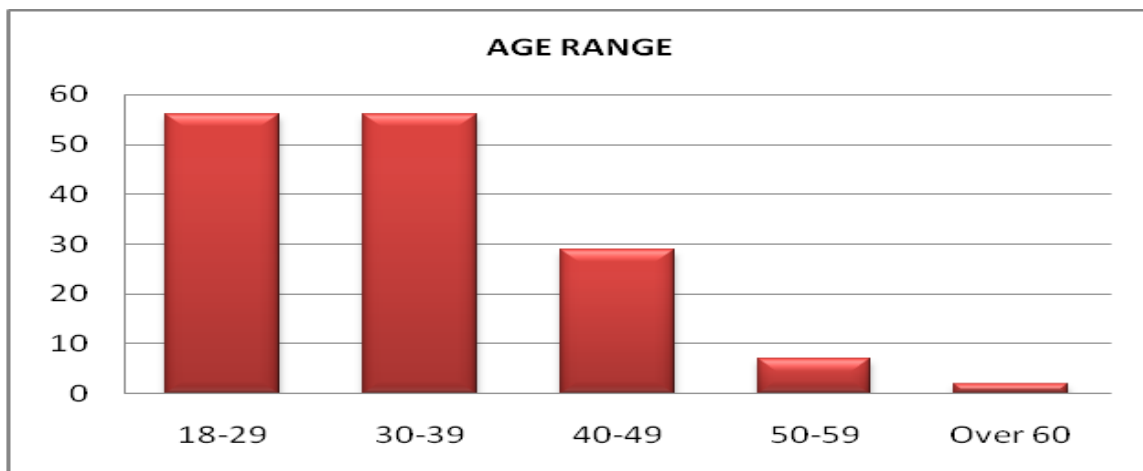
The research design and methodology for this study was conducted by means of the quantitative method. The survey method was used to administer questionnaires to all 150 target respondents and a significant response rate of 100% was obtained. For this study, since the target population comprised only 150 respondents, no sampling technique was used. Hence, the use of survey method was justified for all 150 target respondents of the Guaranty Trust Bank in Nigeria. According to Cooper and Schindler (2006:195), the research design represents the blueprint for the collection, measurement and analysis of data. It can therefore be inferred that the choice of the most appropriate research design is not only an important step of the study but also key to its success. The preliminary analysis in the study was the use of Microsoft Excel for the demographic variables. The analysis was performed in two ways. For example: The response for each question is shown in a numbered Figure and the same result is also computed and shown in a Table. For the first part of the analysis, descriptive statistics have been used with percentages to analyze the response category. The latter part of the analysis involves hypotheses testing using the latest version of the Statistical Package for Social Sciences (SPSS) version 15 for Windows. The appropriate statistical tests were used to test the hypotheses for significance.

## 4.2 SECTION A: ANALYSIS OF DEMOGRAPHIC VARIABLES

### 4.2.1 BIOGRAPHICAL INFORMATION OF THE TARGET RESPONDENTS

The first part of the questionnaire deals with the biographical information of the target respondents. The questionnaires were anonymously completed and all 150 questionnaires were received and included in the analysis for the study. At the end of the field work, the researcher captured the responses to form a data set from the questionnaires for analysis. The following graphical representations are illustrated in a numbered Figure and the same response analysed in a numbered Table.

**FIGURE 4.1 ANALYSIS PER AGE GROUP (N=150)**

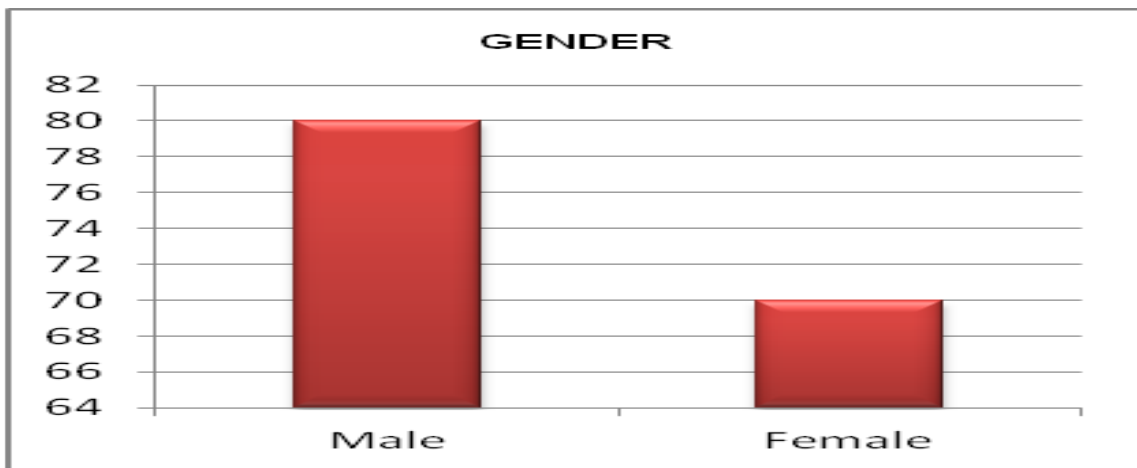


**TABLE 4.1 ANALYSIS PER AGE GROUP (N=150)**

AGE RANGE	FREQUENCY	PERCENTAGE
18-29	56	37.3%
30-39	56	37.3%
40-49	29	19.4%
50-59	7	4.7%
Over 60	2	1.3%
<b>Total</b>	<b>150</b>	<b>100%</b>

Figure 4.1 and Table 4.1 respectively reveals that 37.3% of the respondents were between age groups 18-29 and 30-39 while 19.4% were between age group 40-49. 4.7% respondents were of age group 50-59 and just 1.3% respondents were over 60 years of age. The analysis shows that the employees in age groups 18-49 were mostly employed by the Guaranty Trust Bank in Nigeria.

**FIGURE 4.2 GENDER OF RESPONDENTS (N=150)**

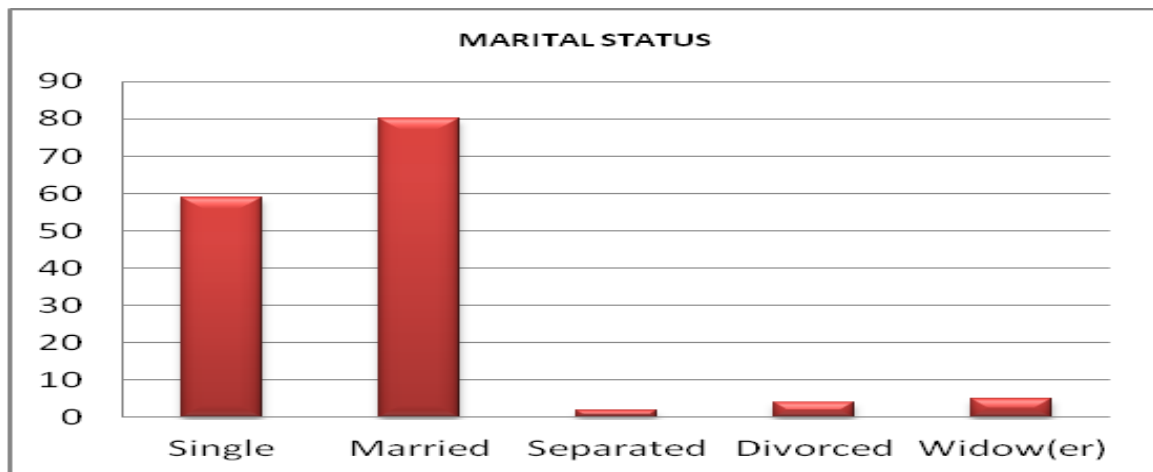


**TABLE 4.2 GENDER OF RESPONDENTS (N=150)**

GENDER	FREQUENCY	PERCENTAGE
Male	80	53.3%
Female	70	46.7%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.2 provides a bar graph indicating the gender of the respondents included in the study. The analysis showed that a moderate balance of the respondents 53.3% were males while 46.7% were females. Table 4.2 also represents the number of male and female respondents included in the research.

**FIGURE 4.3 MARITAL STATUS OF RESPONDENTS (N=150)**



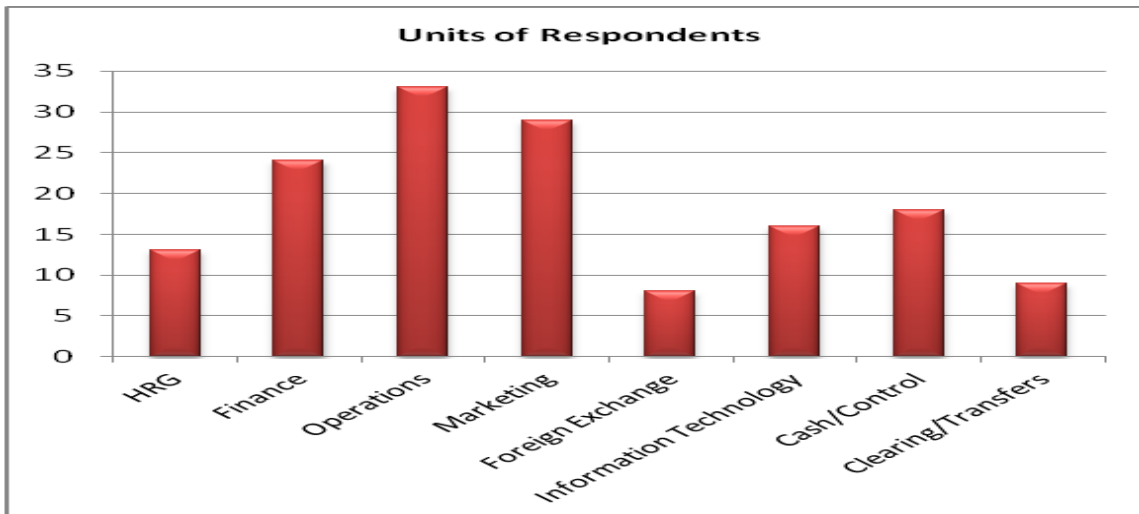
**TABLE 4.3 MARITAL STATUS OF RESPONDENTS (N=150)**

MARITAL STATUS	FREQUENCY	PERCENTAGE
Single	59	39.4%
Married	80	53.3%
Separated	2	1.3%
Divorced	4	2.7%
Widow(er)	5	3.3%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.3 and Table 4.3 respectively show that 39.4% of the respondents were single while 53.3% were married, 2.7% of the respondents were divorced and 3.3% of the respondents were either widow or widowers.



**FIGURE 4.4 WORKING UNITS OF RESPONDENTS (N=150)**

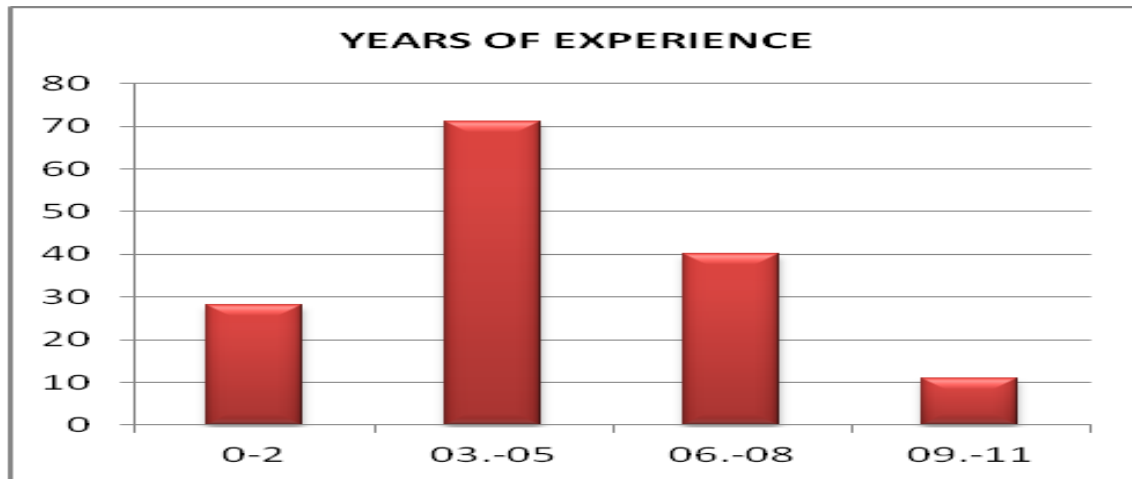


**TABLE 4.4 WORKING UNITS OF RESPONDENTS (N=150)**

UNIT	FREQUENCY	PERCENTAGE
Human Resources Group	13	8.7%
Finance	24	16.0%
Operations	33	22.0%
Marketing	29	19.3%
Foreign Exchange	8	5.3%
Information Technology	16	10.7%
Cash/Control	18	12.0%
Clearing/Transfers	9	6.0%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.4 and Table 4.4 respectively represent the working units of the respondents. 8.7% of the respondents work in the Human Resources, 16.0% work in the finance unit, 22.0% work in Operations unit, 19.3% work as marketers. Also, 5.3% of the respondents work in Foreign Exchange unit, 10.7% work in Information Technology unit, 12.0% work in Cash/Control unit and in Clearing/Transfers unit there were only 6.0% of the total respondents.

**FIGURE 4.5 YEARS OF SERVICE OF RESPONDENTS (N=150)**

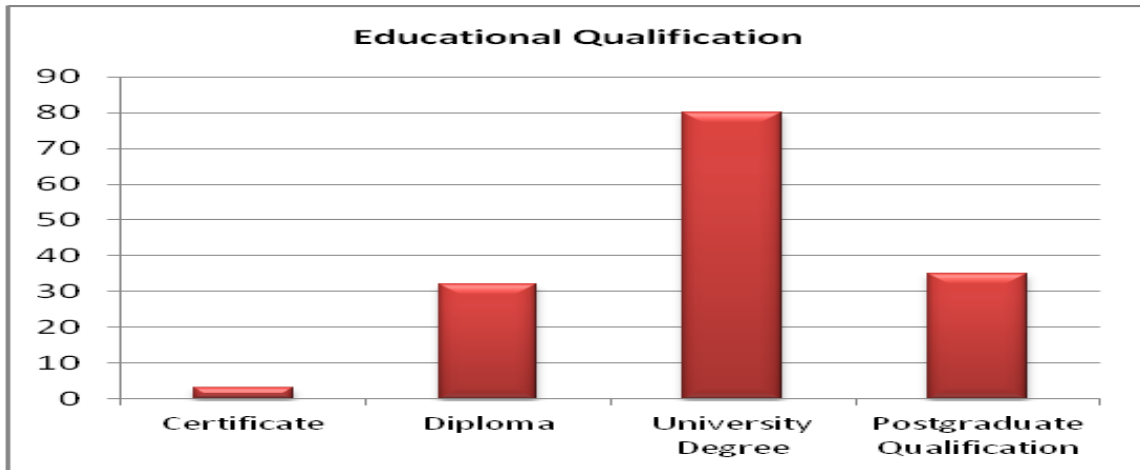


**TABLE 4.5 YEARS OF SERVICE OF RESPONDENTS (N=150)**

YEARS OF SERVICE	FREQUENCY	PERCENTAGE
0-2	28	18.7%
3-5	71	47.3%
6-8	40	26.7%
9-11	11	7.3%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.5 and Table 4.5 above give an indication of the working experience of the respondents involved in the study. Figure 4.5 and Table 4.5 respectively reveal that 18.7% of respondents have less than 2 years working experience at Guaranty Trust Bank in Nigeria. 47.3% of the respondents have 3-5 years of banking experience while respondents with 6-8 years of experience represented 26.7% and the minority of respondents 7.3% have between 9-11 years' experience.

**FIGURE 4.6 EDUCATIONAL QUALIFICATIONS OF RESPONDENTS (N=150)**



**TABLE 4.6 EDUCATIONAL QUALIFICATIONS OF RESPONDENTS (N=150)**

EDUCATION	FREQUENCY	PERCENTAGE
Certificate	3	2.0%
Diploma	32	21.3%
University Degree	80	53.4%
Postgraduate Qualification	35	23.3%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.6 and Table 4.6 respectively give an indication of the qualification profile of employees that took part in the study. Figure 4.6 and Table 4.6 revealed that a small minority of respondents (2.0%) were in possession of a Certificate. A further 21.3% of respondents were Diploma holders, 53.4% of the respondents had a University first Degree and 23.3% held a Postgraduate Qualification.

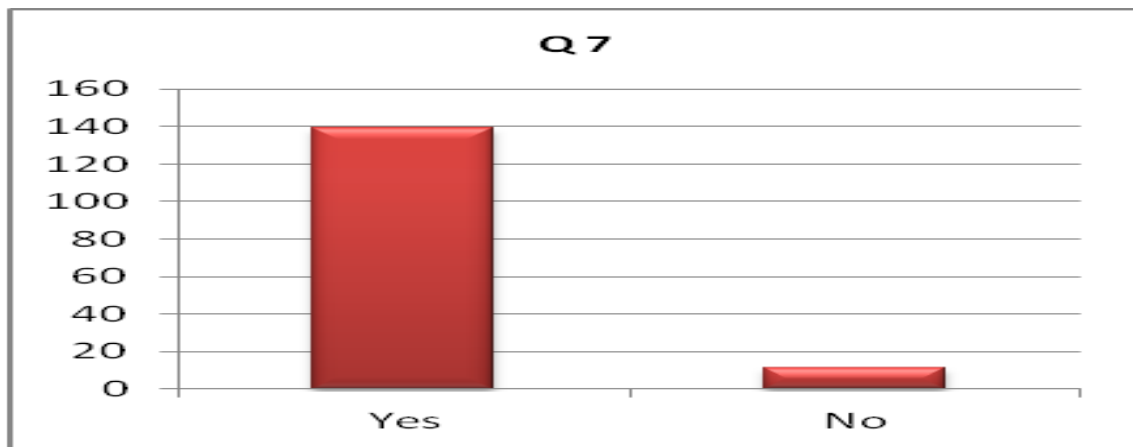
### **4.3 SECTION B: DESCRIPTIVE STATISTICS**

This section deals with the results of the questionnaire on perceptions of the performance appraisal and its impact on employee performance. This section also formulated relevant hypotheses that were tested. A quantitative method was

used and the results of the study for this section were analyzed statistically using the latest version of the Statistical Package for Social Sciences (SPSS) version 15 for Windows. According to Welman, Kruger and Mitchell (2005:231), descriptive statistics refer to the summarizing and grouping of data which is then presented in the form of tables and graphs. Gaur and Gaur (2009:37) highlight that descriptive statistics are frequently used to summarize and categorize data such that conclusions can be drawn from the results.

The descriptive analysis shows the reporting of the results by combining strongly agreed and agreed, strongly disagreed and disagreed respectively in percentages in each numbered table. The neutral response is also shown as depicted in percentages in each numbered table.

**FIGURE 4.7 IMPORTANCE OF PERFORMANCE APPRAISAL (N=150)**

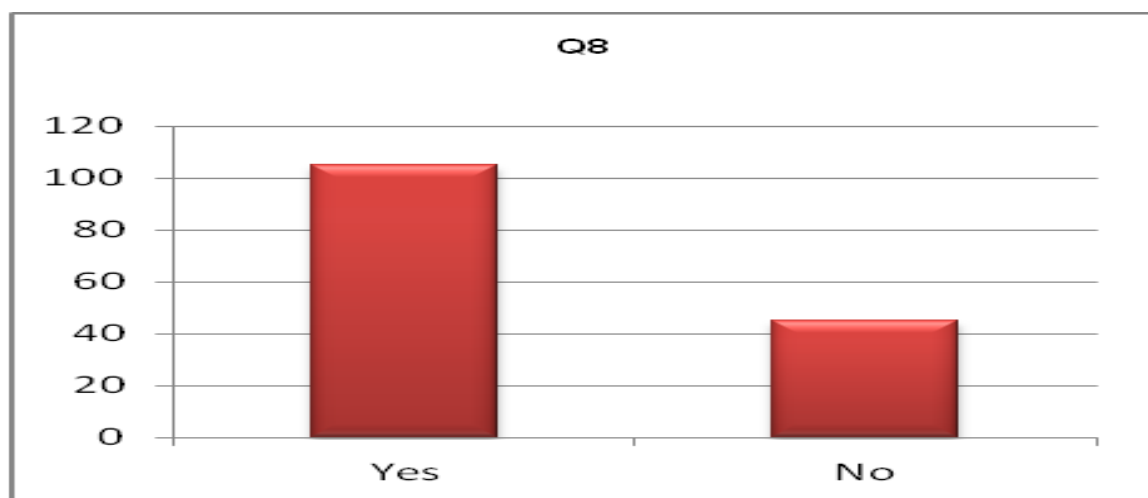


**TABLE 4.7 IMPORTANCE OF PERFORMANCE APPRAISAL (N=150)**

	FREQUENCY	PERCENTAGE
Yes	139	92.7%
No	11	7.3%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.7 and Table 4.7 respectively depict that the majority of respondents (92.7%) felt that performance appraisal policy was important while only a marginal 7.3% of the respondents indicated that performance appraisal policy was not important. According to Cook and Crossman (2004:528), performance appraisals are important for employee motivation, attitude and behaviour development, communicating organizational aims and fostering positive relationships between management and employees. Mani (2002:142) asserts that a performance appraisal policy can serve many important purposes within an organization by motivating employees, strengthening organizational goals and facilitating discussion of ideas and areas for improvement.

**FIGURE 4.8 THE DEVELOPMENT AND DESIGN OF A PERFORMANCE APPRAISAL POLICY (N=150)**

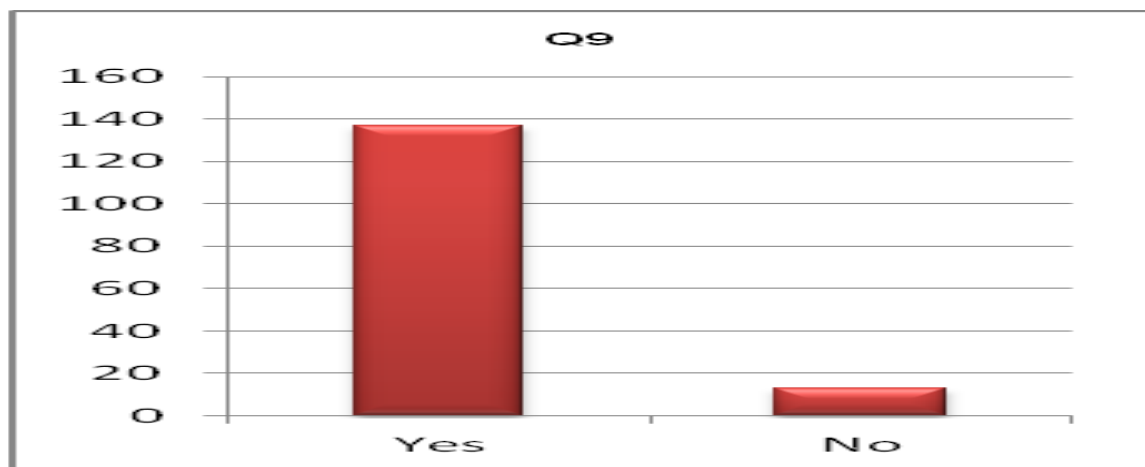


**TABLE 4.8 THE DEVELOPMENT AND DESIGN OF A PERFORMANCE APPRAISAL POLICY (N=150)**

	FREQUENCY	PERCENTAGE
Yes	105	70.0%
No	45	30.0%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

The majority of respondents (70.0%) in the bar graph in Figure 4.8 and the analysis in Table 4.8 indicated that employees should be involved in the development and design of a performance appraisal policy while a minority of respondents (30.0%) thought otherwise. According to Williams (2002:6), it is imperative to get the right employees involved when designing and developing performance appraisals. Rudman (2002:6) specifically highlights that the employees must have an opportunity for meaningful input in the performance appraisal policy's development and design. Furthermore, if managers and employees are not involved with the performance appraisal policy's development and design, they will not be committed to it (Fandray, 2001:39).

**FIGURE 4.9 IMPACT OF PERFORMANCE APPRAISAL POLICY ON EMPLOYEE PERFORMANCE (N=150)**



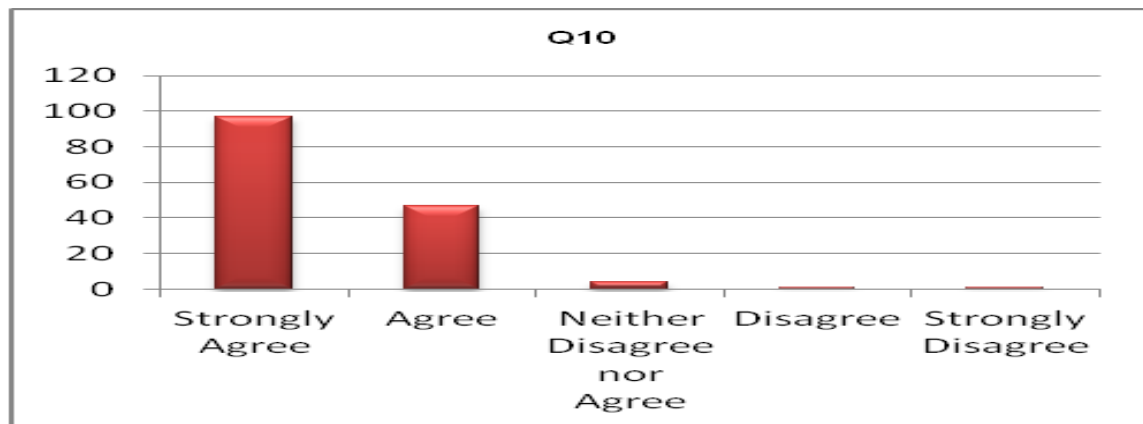
**TABLE 4.9 IMPACT OF PERFORMANCE APPRAISAL POLICY ON EMPLOYEE PERFORMANCE (N=150)**

	FREQUENCY	PERCENTAGE
Yes	137	91.3%
No	13	8.7%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.9 and Table 4.9 respectively illustrate that the majority of respondents (91.3%) were of the opinion that performance appraisal policy had an impact on employees' performance and a small minority of respondents (8.7%) were dissatisfied. According to Mani (2002:158), in many organizations, performance appraisal results are used, either directly or indirectly, to help determine reward outcomes. That is, the performance appraisal results are used to identify the potentially good performing employees who should receive financial benefits, bonuses and promotions. Mackey and Johnson (2000:328) assert that performance appraisal results are used to identify the poor or weak performers who may require some form of counseling, or in extreme cases, demotion and dismissal. Anderson (2002:32) suggests that if a supervisor gives an employee a poor score on his/her appraisal, the employee may feel a loss of motivation in the workplace. Consequently, this can impact on the employee's performance.

#### 4.3.1 PERCEPTIONS OF PERFORMANCE APPRAISAL POLICY AND ITS IMPACT ON EMPLOYEES

**FIGURE 4.10      EMPLOYEE FEEDBACK ABOUT THEIR PERFORMANCE (N=150)**



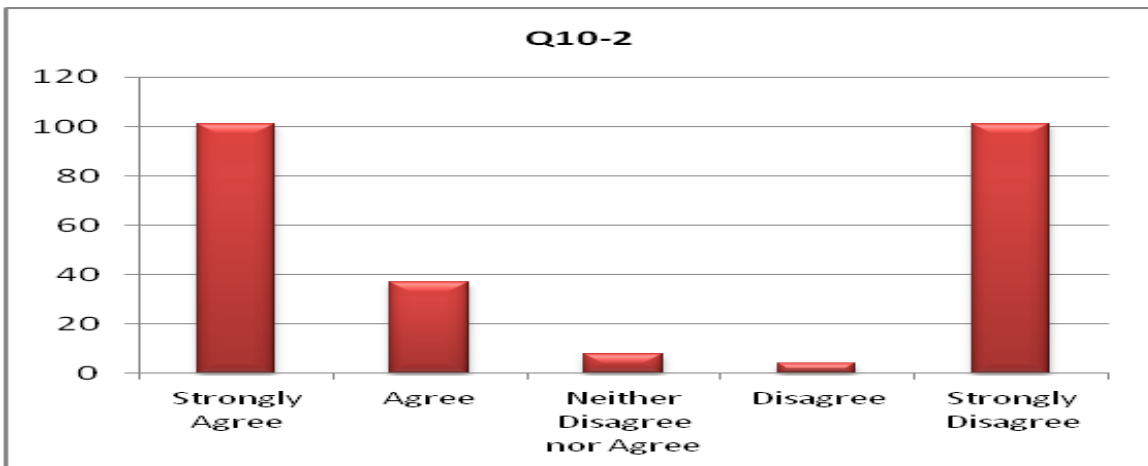
**TABLE 4.10      EMPLOYEE FEEDBACK ABOUT THEIR PERFORMANCE (N=150)**

	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
Strongly Agree	97	64.7%
Agree	47	31.3%
Neither Disagree nor Agree	4	2.7%
Disagree	1	0.6%
Strongly Disagree	1	0.7%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

The results presented in Figure 4.10 and Table 4.10 respectively illustrate that 96.0% (64.7%+31.3%) of the respondents strongly agreed that performance appraisal policy provides essential feedback to employees about their performance while 2.7% neither disagreed nor agreed. Only a marginal 1.3% (0.6%+0.7%) of the respondents disagreed with this statement. These findings align with the views of Byron (2007:713) who highlights that the core function of the performance appraisal policy is to provide feedback to employees on their performance. The reason for feedback would be to encourage employee performance, which directly leads to the attaining of individual goals, while underperformance can be rectified or dealt with appropriately. Hunt (2005:128) suggests that for the feedback process to work well, experienced practitioners have advocated that it must be a two way communication process and a joint responsibility of line managers and employees, not just the top managers. According to Schultz (2004:479), one of the main reasons for monitoring employee performance is to be able to provide feedback to the subordinate. Feedback serves two purposes, namely, it allows the manager to provide consequences for employee performance and it allows the manager to rectify the effort of the subordinate if necessary. Fandray (2001:35) asserts that feedback should be relevant, immediate and frequent. It should be constructive, balanced and specific. Also, it should be focused on critical success factors of task behaviour as highlighted in the performance appraisal policy.



**FIGURE 4.11                      PERFORMANCE APPRAISAL POLICY ALLOWS MERIT  
AWARD FOR EMPLOYEES (N=150)**



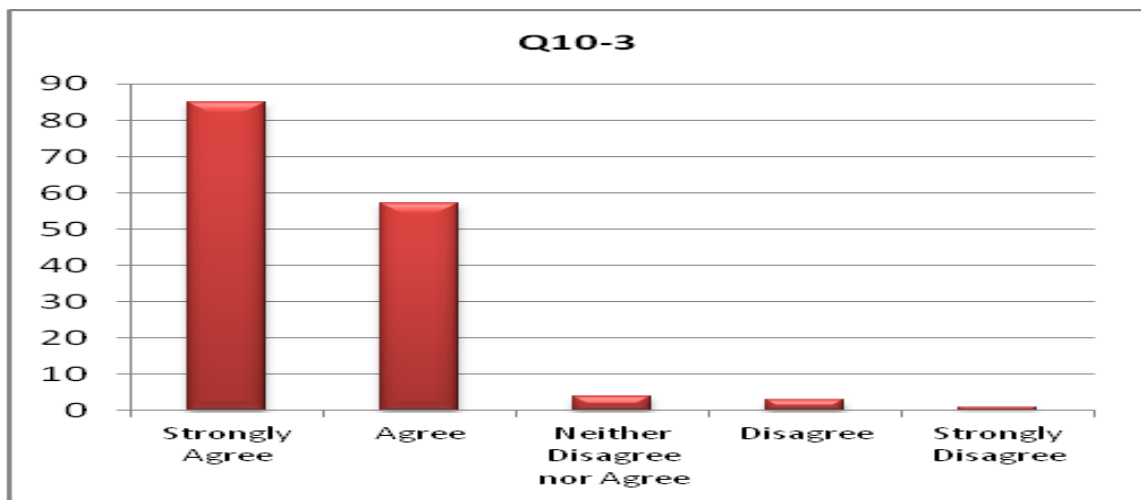
**TABLE 4.11                      PERFORMANCE APPRAISAL POLICY ALLOWS MERIT  
AWARD FOR EMPLOYEES (N=150)**

	FREQUENCY	PERCENTAGE
Strongly Agree	101	67.3%
Agree	37	24.7%
Neither Disagree nor Agree	8	5.3%
Disagree	4	2.7%
Strongly Disagree	0	0%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.11 and Table 4.11 respectively illustrate that 92.0% (67.3%+24.7%) of the respondents strongly agreed that performance appraisal policy must allow for merit award for employees while 5.3% neither disagreed nor agreed. Only a minor 2.7% of the respondents disagreed with this statement. According to Anderson (2002:81), the main tactics and objective of the performance appraisal policy is that it should be conducted for the motivation of the employees with no negative aspect associated with it, as it will decrease the morale of the employees. There should be some reward or bonus given so that this will

encourage other employees and they will try to excel in their performance too. Williams (2002:1) asserts that from the organization's point of view, it is mandatory to have accountability and justice within the organization so that all the employees get a fair compensation out of their performance appraisal and also to strengthen the reputation of the organization.

**FIGURE 4.12            USE OF PERFORMANCE APPRAISALS TO CLARIFY EXPECTATIONS (N=150)**



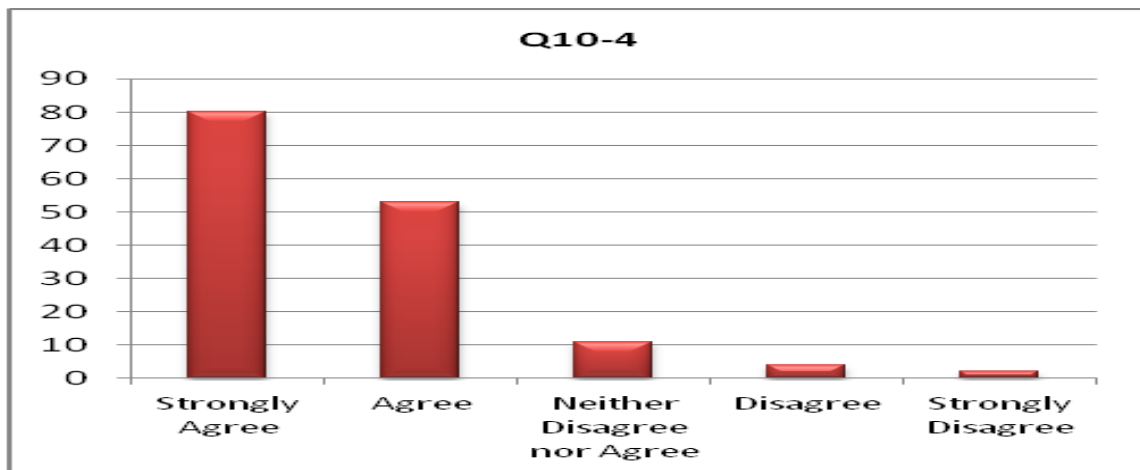
**TABLE 4.12            USE OF PERFORMANCE APPRAISALS TO CLARIFY EXPECTATIONS (N=150)**

	FREQUENCY	PERCENTAGE
Strongly Agree	85	56.6%
Agree	57	38.0%
Neither Disagree nor Agree	4	2.7%
Disagree	3	2.0%
Strongly Disagree	1	0.7%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

The bar graph in Figure 4.12 and Table 4.12 respectively show that 94.6% of the respondents strongly agreed that an important function of performance appraisal

policy should be clarified, while 2.7% neither disagreed nor agreed. Only a marginal 2.7% of the respondents disagreed with this statement. According to Markle (2000:7), managers often view employee performance appraisals with fear and loathing. Levinson (2005:44) contends that not all employees are top achievers and pointing out weaknesses or deficiencies can be difficult. Fletcher (2001:473) is of the opinion that many organizations treat performance appraisals as an annual burden consisting of a quick meeting between supervisor and subordinate that produces a written review that is filed and forgotten. However, performance appraisal policy, if implemented carefully and thoughtfully can add considerable value to the supervisor/employee relationship and can help structure and clarify expectations for both parties. Coens and Jenkins (2002:232) assert that clarifying employee performance expectations is one step to creating an effective performance appraisal policy. As a result of non-awareness of the employee performance expectation, employee efforts could be wasted or unrecognized (Fletcher, 2001:473).

**FIGURE 4.13                      COMMUNICATION BETWEEN MANAGERS AND EMPLOYEES  
(N=150)**

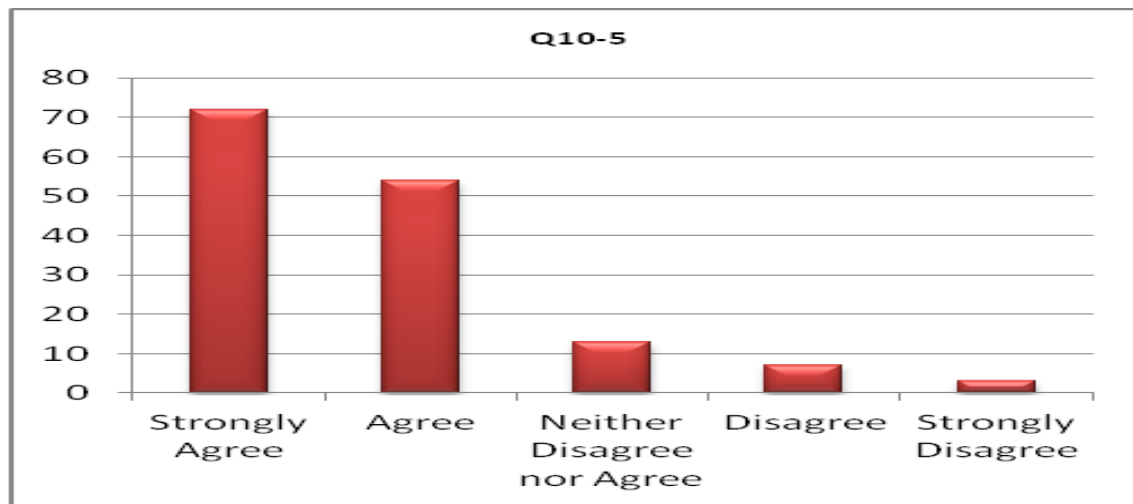


**TABLE 4.13                      COMMUNICATION BETWEEN MANAGERS AND EMPLOYEES  
(N=150)**

	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
Strongly Agree	80	53.4%
Agree	53	35.3%
Neither Disagree nor Agree	11	7.3%
Disagree	4	2.7%
Strongly Agree	2	1.3%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

The bar graph in Figure 4.13 and Table 4.13 respectively illustrate that the majority of respondents (88.7%) agreed that an important function of performance appraisal policy should be to facilitate communication between employees and their managers, while 7.3% neither disagreed nor agreed. Only a marginal 4.0% of the respondents disagreed with this statement. Tyson and York (2000:115) assert that communication is the key to success in any relationship. When a lack of communication exists in the organizational setting it has the potential to cause significant problems between management and employees. If this absence of interaction persists in the workplace, matters typically go unaddressed. As a result conflict often arises and problems remain unresolved because of the absence of communication. A lack of verbal exchanges commonly increase resentments and this usually further escalates the situation (Freeman, 2002:41). Mani (2002:141) highlights that the performance appraisal policy should constitute an open communication, where both manager and employee state what should be done well and what needs improvement. A definitive way to improve communication between management and employees is for managers to create an open door policy to welcome any thoughts, comments, complaints or suggestions. When employees are encouraged to share their feelings, it gives a sense of empowerment where they feel comfortable making contact with their managers to voice their concerns (Dessler and Gary, 2000:321).

**FIGURE 4.14**                      **LINE MANAGERS MUST BE INVOLVED WITH THE DESIGN OF THE PERFORMANCE APPRIASAL POLICY (N=150)**



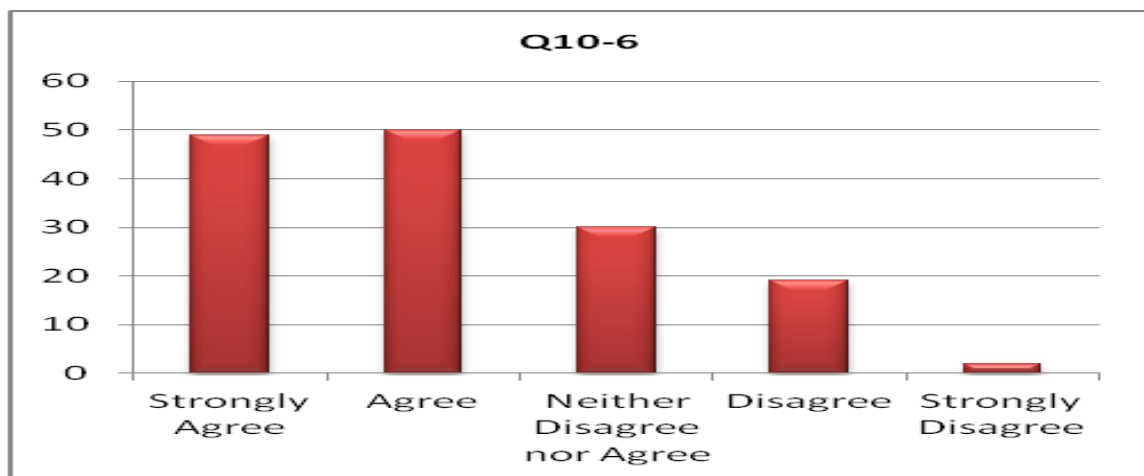
**TABLE 4.14**                      **LINE MANAGERS MUST BE INVOLVED WITH THE DESIGN OF THE PERFORMANCE APPRAISAL POLICY (N=150)**

	FREQUENCY	PERCENTAGE
Strongly Agree	73	48.0%
Agree	54	36.0%
Neither Disagree nor Agree	13	8.7%
Disagree	7	4.7%
Strongly Disagree	3	2.6%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

The bar graph in Figure 4.14 and Table 4.14 respectively depict that the majority of respondents (84.0%) agreed that line managers should be involved with the design of the performance appraisal policy while 8.7% neither disagreed nor agreed. Only a minor 7.3% of the respondents disagreed with this statement. According to Anderson (2002:82), the design and structure of the performance appraisal policy is important to both employee and management. It is globally recognized that performance appraisals should be to the advantage of managers and employees, but few performance appraisal policies, if any, involve both these

line managers in the design of the performance appraisal policy. The needs and expectations that the line manager and employees have on performance appraisals should be aligned when the policy is designed. Furthermore, every element of the performance appraisal's design must be considered carefully, as the needs and expectations that employees and line managers have of each impact requires buy-in (from all stakeholders), as well as the credibility of the policy in its entirety (Williams, 2002:220).

**FIGURE 4.15            EMPLOYEE MUST BE INVOLVED WITH THE DESIGN OF THE PERFORMANCE APPRAISAL POLICY (N=150)**

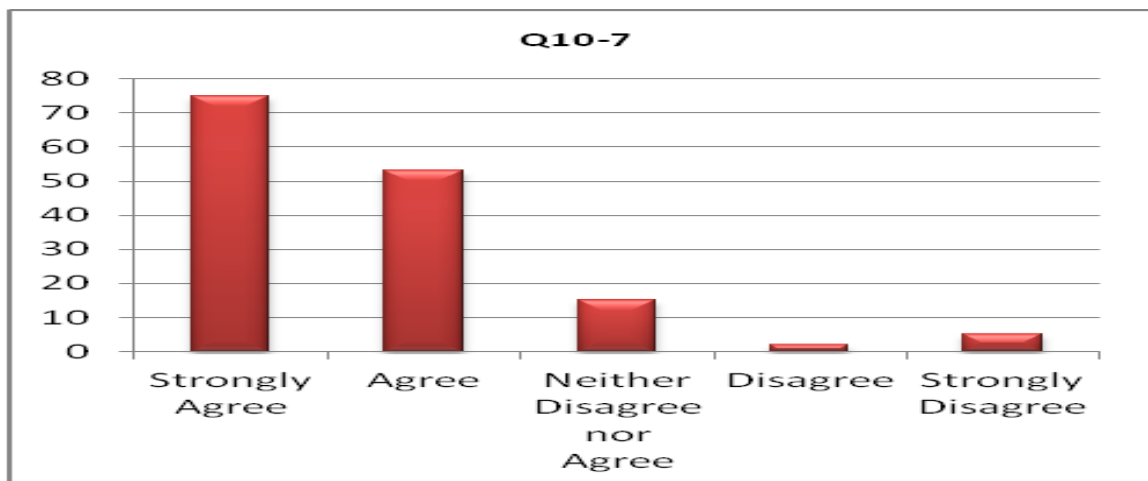


**TABLE 4.15            EMPLOYEES MUST BE INVOLVED WITH THE DESIGN OF THE PERFORMANCE APPRAISAL POLICY (N=150)**

	FREQUENCY	PERCENTAGE
Strongly Agree	49	32.7%
Agree	50	33.3%
Neither Disagree nor Agree	30	20.0%
Disagree	19	12.7%
Strongly Disagree	2	1.3%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

The bar graph in Figure 4.15 and Table 4.15 respectively depict that 66.0% of the respondents agreed that employees must be involved with the design of the performance appraisal policy, while 20.0% neither disagreed nor agreed. 14.0% of the respondents disagreed with this statement. According to Mondy and Noe (2008:4), the development of a performance appraisal policy that accurately reflects employee performance is a difficult task. Performance appraisal policies are not generic or easily passed from one organization to another. Their design and administration must be tailor-made to match employee and organizational characteristics and qualities. Mani (2002:158) highlights that performance appraisals are most commonly undertaken to let an employee know how his/her performance compares with the supervisor's expectations and to identify areas that require training or development. Garber (2004:136) contends that employees have a legitimate need to know how their performance is viewed. At a basic level, without adequate communication between the employee and the supervisor, undesirable work habits may be formed or good work ethics may be modified. Lack of such communication may be viewed by the employee as approval of their current work habits and performance (Grote and Grote, 2002:5).

**FIGURE 4.16                      PERFORMANCE APPRAISAL POLICY HAVE REGULAR  
POLICY REVIEWS BUILT IN (=150)**



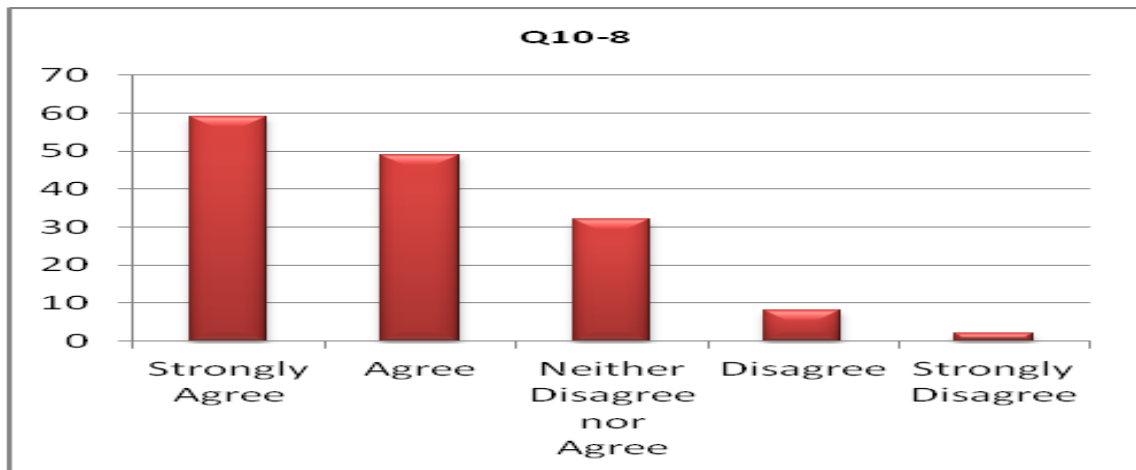
**TABLE 4.16                      PERFORMANCE APPRAISAL POLICY HAVE REGULAR  
POLICY REVIEWS BUILT IN (N=150)**

	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
Strongly Agree	75	50.0%
Agree	53	35.4%
Neither Disagree nor Agree	15	10.0%
Disagree	2	1.3%
Strongly Disagree	5	3.3%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

The bar graph in Figure 4.16 and Table 4.16 respectively illustrate that the majority of respondents (85.4%) agreed that performance appraisal policy must have regular policy review built in while 10.0% neither disagreed nor agreed. Only a minor 4.6% of the respondents disagreed with this statement. According to Robbins and Coulter (2002:69), ensuring managers and supervisors have adequate information for a performance appraisal can be built into the review policy. For example, the appraisal policy could require that reviewers keep regular records in between reviews to get an accurate overall picture of the employee's performance. Neal (2001:70) suggests better assessments of long-term performance to avoid an ineffective performance reviews. For example, if an employee made a mistake few days before the review, an unprepared reviewer may focus unfairly on that mistake. Reviewers with detailed records can keep a single mistake in perspective of the overall employee performance, facilitating a much more objective review.



**FIGURE 4.17      DISCUSSING PROBLEMS DURING PERFORMANCE APPRAISAL (N=150)**



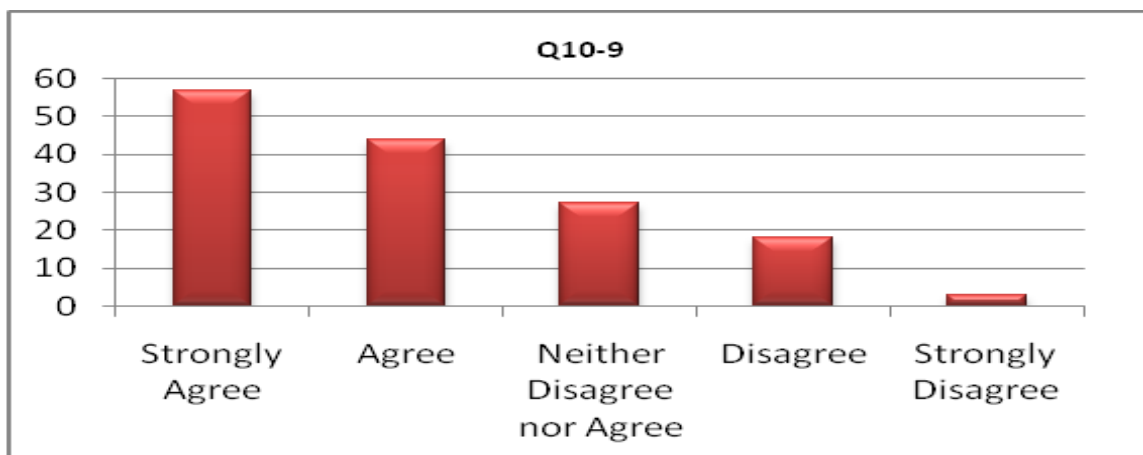
**TABLE 4.17      DISCUSSING PROBLEMS DURING PERFORMANCE APPRAISAL (N=150)**

	FREQUENCY	PERCENTAGE
Strongly Agree	59	39.4%
Agree	49	32.7%
Neither Disagree nor Agree	32	21.3%
Disagree	8	5.3%
Strongly Disagree	2	1.3%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.17 and Table 4.17 respectively illustrate that 72.1% of the respondents agreed that employees discuss their problems during performance appraisal, while 21.3% neither disagreed nor agreed. Only a marginal 6.6% of the respondents disagreed with this statement. Lazear (2000:1352) asserts that each employee should be evaluated by his supervisor and to discuss set objectives for the upcoming evaluation. The discussion should cover the review of overall progress, employee development interest and needs to concentrate on specific areas of development in order to review employee performance objectives and employee performance standard. Cook and Crossman (2004:531) highlight that

performance appraisals are important for employee motivation, attitude and behaviour development, communicating the organizational aims and fostering positive relationships between management and employees. Performance appraisals provide a formal, recorded, regular review of an individual's performance and a plan for future development. Perez and Falcon (2004:52) suggest that to achieve the organization targets, there is the need for the employee and manager to discuss targets to be achieved, so that the former is genuinely able to meet the challenge to receive a positive performance appraisal review.

**FIGURE 4.18 MY PERFORMANCE IS BETTER THAN THAT OF MY COLLEAGUES (N=150)**

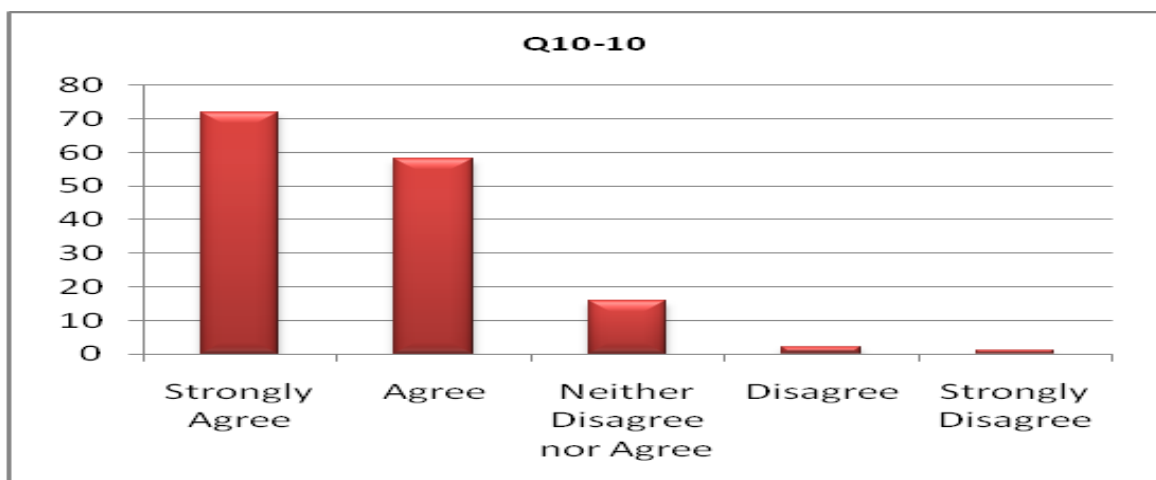


**TABLE 4.18 MY PERFORMANCE IS BETTER THAN THAT OF MY COLLEAGUES (N=150)**

	FREQUENCY	PERCENTAGE
Strongly Agree	57	38.0%
Agree	44	29.3%
Neither Disagree nor Agree	27	18.0%
Disagree	18	12.0%
Strongly Disagree	4	2.7%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.18 and Table 4.18 respectively highlight that 67.3% of the respondents agreed that their performances is better than that of their colleagues with similar qualifications, while 18.0% neither disagreed nor agreed. 14.7% of the respondents disagreed with this statement. Fletcher and Bailey (2003:261) state that after communicating the bench marks and required performance standards to the employee, the most important step is to measure the employee performance according to the set standards over the period of time. However, this is a difficult task for the evaluator but it has to be done. According to Roberts (2002:332), measuring performance is an ongoing process throughout the year and the supervisors evaluate the employee's performance and also keep an eye on the tasks and job responsibility. Aguinis (2009:2) asserts that by defining employee performance in terms of desired results is how managers and supervisors make their work assignments operational. Moreover, it is mandatory that the choice of measuring employee performance method or technique should be appropriate and that personal bias does not affect the outcome of the process. This objectivity should help the employees rather than creating problems for them.

**FIGURE 4.19 THE INTELLECTUAL STANDARD OF EMPLOYEE PERFORMANCE (N=150)**

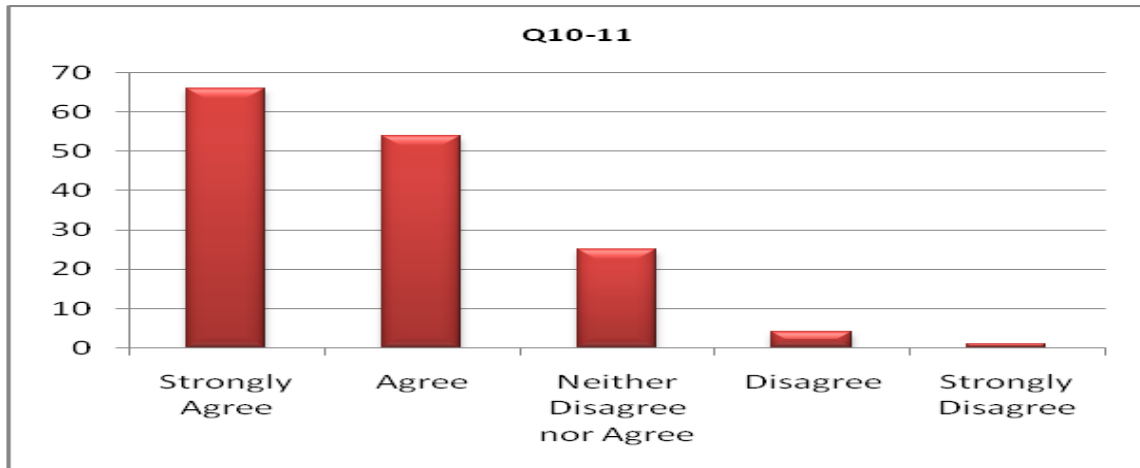


**TABLE 4.19 THE INTELLECTUAL STANDARD OF EMPLOYEE PERFORMANCE (N=150)**

	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
Strongly Agree	72	48.0%
Agree	58	38.7%
Neither Disagree nor Agree	16	10.6%
Disagree	2	1.3%
Strongly Disagree	2	1.4%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.19 and Table 4.19 respectively show that the majority of respondents (86.7%) agreed that one of the best aspects of performance appraisal of Guaranty Trust Bank is the high intellectual standard of employee performance, while 10.6% neither disagreed nor agreed. Only a marginal 2.7% of the respondents disagreed with this statement. Setting employee performance standards and then monitoring employee progress are important to the development of employee. A manager should work with the employee to develop a set of standards that both parties understand and can commit to. When employees participate in creating their own performance standards, they have an increased feeling of responsibility for reaching and even exceeding those standards (Hunt, 2005:20). Fletcher (2001:473) suggests that after setting the performance standards and expected outcomes, the next integral part of the performance appraisal process is to communicate those standards to employees and educate them as to how to achieve the benchmarks. Anderson (2002:73) asserts that it is mandatory that employees should know the standards clearly and have an idea on how to meet those standards. These standards will educate the employee about their main responsibilities and job roles and what is expected out of them in relation to receiving a favourable performance appraisal review.

**FIGURE 4.20 MEASUREMENT CRITERIA MUST BE QUANTIFIABLE (N=150)**



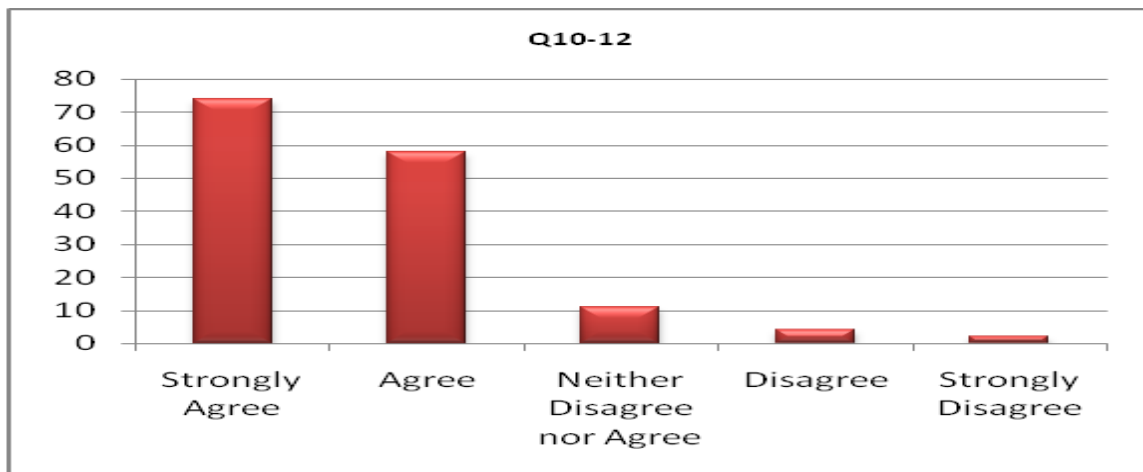
**TABLE 4.20 MEASUREMENT CRITERIA MUST BE QUANTIFIABLE (N=150)**

	FREQUENCY	PERCENTAGE
Strongly Agree	66	44.0%
Agree	54	36.0%
Neither Disagree nor Agree	25	16.7%
Disagree	4	2.7%
Strongly Disagree	2	0.6%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.20 and Table 4.20 respectively illustrate that the majority of respondents (80.0%) agreed that the measurement criteria used in performance appraisal policy must be quantifiable while 16.7% neither disagreed nor agreed. Only a marginal 3.3% of the respondents disagreed with this statement. According to Halachmi (2005:510), criteria are often labeled as input and output criteria, where input criteria include personal qualities, activities and output criteria are characterized by results attained by the employee's performance. Moreover, there is a preference for input criteria over output behavioural criteria, as it is debated that the employee has a greater control over input behavioural criteria (Poon, 2004:322). Anderson (2002:132) asserts that when performance appraisal criteria are determined it is imperative to involve the employee, as this

greatly enhances the employee's perception of the fairness of the performance appraisal policy. Rudman (2003:3) suggests that in some instances employee's change their behaviour to pass arbitrary performance measures as opposed to truly improving delivery as such, thus the importance of determining the correct measure.

**FIGURE 4.21 EXPECTATIONS OF EMPLOYEE PERFORMANCE (N=150)**



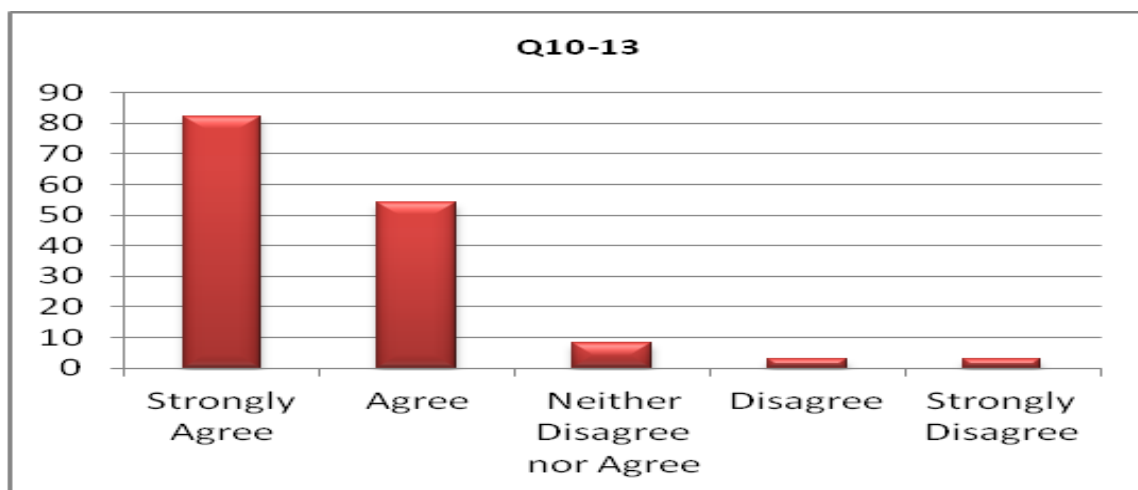
**TABLE 4.21 EXPECTATIONS OF EMPLOYEE PERFORMANCE (N=150)**

	FREQUENCY	PERCENTAGE
Strongly Agree	74	49.3%
Agree	58	38.7%
Neither Disagree nor Agree	11	7.3%
Disagree	4	2.7%
Strongly Disagree	3	2.0%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.21 Table 4.21 respectively depict that the majority of respondents (88.0%) agreed that an important function of the performance appraisal policy should be to determine the expectations and responsibilities to be performed by the employees, while 7.3% neither disagreed nor agreed. Only a minor 4.7% of the respondents disagreed with this statement. According to Stone (2002:60),

organizations implement performance appraisal policies to track how well employees perform their duties in the workplace. Evaluating employee performance entails assessing their accomplishments, behaviours and efficiency over a specific period. Bond and Fox (2007:436) state that work assessments determine whether the employee qualifies for bonus, promotion or disciplinary action. Under the accomplishments category, supervisors measure the employees' performance, efficiency, effectiveness and quality of their work. Robbins and Coulter (2002:56) highlight that the way an employee behaves affects how his supervisor views his/her overall performance. Behavioural expectations include the types of relationships the employee maintains with colleagues, clients and business associates. Thus, whether or not the employee adheres to the code of conduct depends on his propensity towards motivation and commitment to his work (Kuvaas, 2006:505). An employee who displays an efficiency attitude in the workplace is a valuable asset to employers. Good organizational and time management skills are examples of efficiency. Physical appearance and an employee's ability to communicate effectively also affect proficiency. Employees who exhibit professionalism receive strong scores on performance appraisals (Neal, 2001:431).

**FIGURE 4.22 EMPLOYEE PERFORMANCE MEASUREMENT (N=150)**



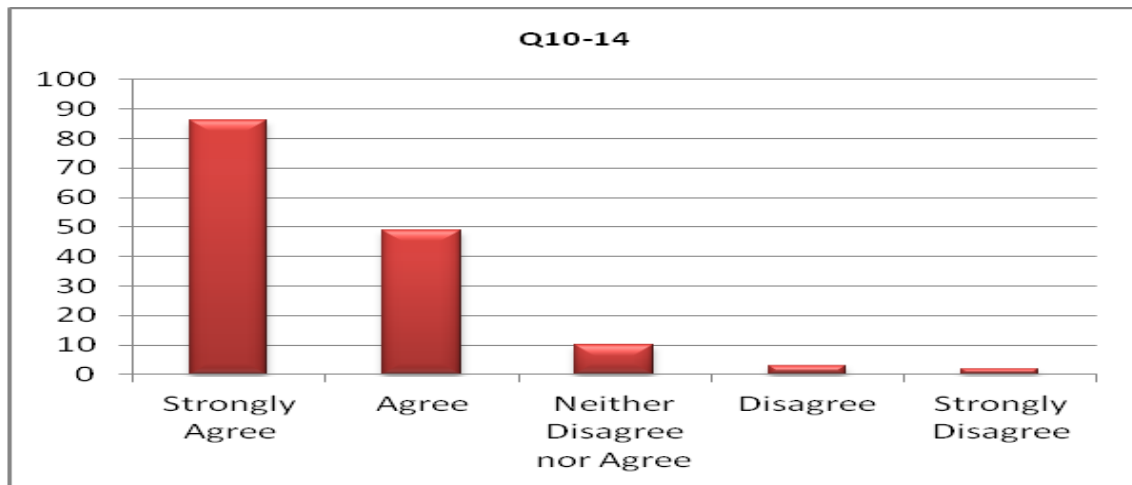
**TABLE 4.22                      EMPLOYEE PERFORMANCE MEASUREMENT (N=150)**

	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
Strongly Agree	82	54.7%
Agree	54	36.0%
Neither Disagree nor Agree	8	5.3%
Disagree	3	2.0%
Strongly Disagree	3	2.0%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.22 and Table 4.22 respectively highlight that 90.7% of the respondents strongly agreed that an important function of performance appraisal policy should be the actual measurement of employees' performance, while 5.3% neither disagreed nor agreed. Only a marginal 4.0% of the respondents disagreed with this statement. According to Bond and Fox (2007:5), measuring employee performance is the basis of performance appraisal policy and performance management. Fletcher and Bailey (2003:360) believe that accurate and efficient performance measurement not only forms the basis of an objective performance review but also gives way to judging and measuring employee potential. Anderson (2002:2) highlights that for an organization to be effective for its goal, it is very important to measure its employee performance on a regular basis. Aguinis (2009:2) asserts that measuring the performance of the employees based only on one or more factors can cause inaccurate results and leave a bad impression on the employees as well as the organization.



**FIGURE 4.23            EMPLOYEE GOALS FOR PERFORMANCE APPRAISAL  
POLICY (N=150)**



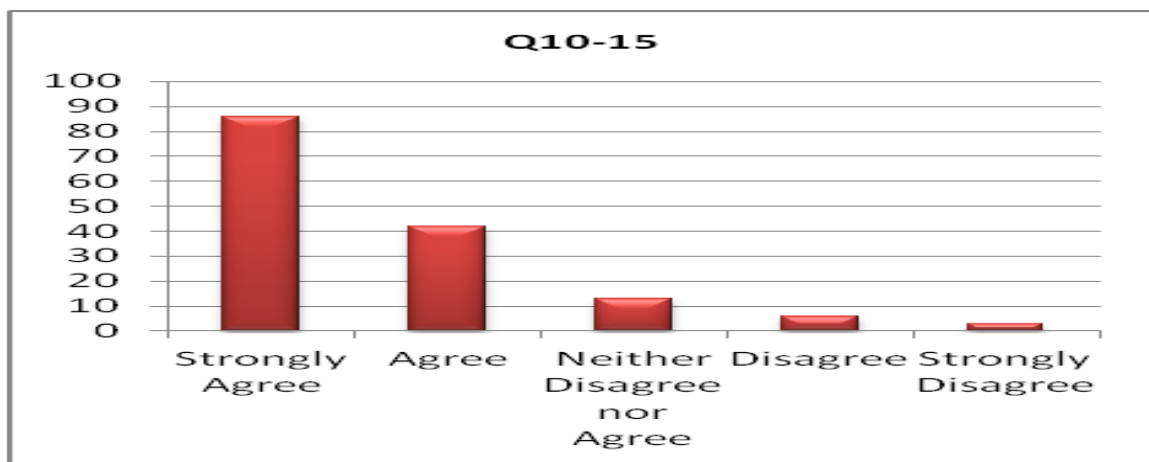
**TABLE 4.23            EMPLOYEE GOALS FOR PERFORMANCE APPRAISAL  
POLICY (N=150)**

	FREQUENCY	PERCENTAGE
Strongly Agree	86	57.3%
Agree	49	32.7%
Neither Disagree nor Agree	10	6.7%
Disagree	3	2.0%
Strongly Disagree	2	1.3%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.23 and Table 4.23 respectively highlight that 90.0% of the respondents strongly agreed that an important function of performance appraisal policy should be to facilitate the achievement of the individual employee's goal, while 6.7% neither disagreed nor agreed. Only a marginal 3.3% of the respondents disagreed with this statement. Rudman (2003:4) asserts that measuring employee performance covers the evaluation of the main tasks completed and the achievements of the employee in a given time period in comparison with the goals set at the beginning of the period. Mani (2002:142) supports the notion that

effective monitoring and measuring also includes providing timely feedback and reviews of the employees for their work and performance according to pre-determined goals and solving the problems faced. There is evidence to suggest that in performance appraisal policy, managers use ratings to achieve goals that are contrary to the accurate employee performance ratings (Hunt, 2005:268). Mackey and Johnson (2008:8) highlight that ratings may be motivated by a fear of conflict with poor performing employees.

**FIGURE 4.24 FAIRNESS OF PERFORMANCE APPRAISAL (N=150)**



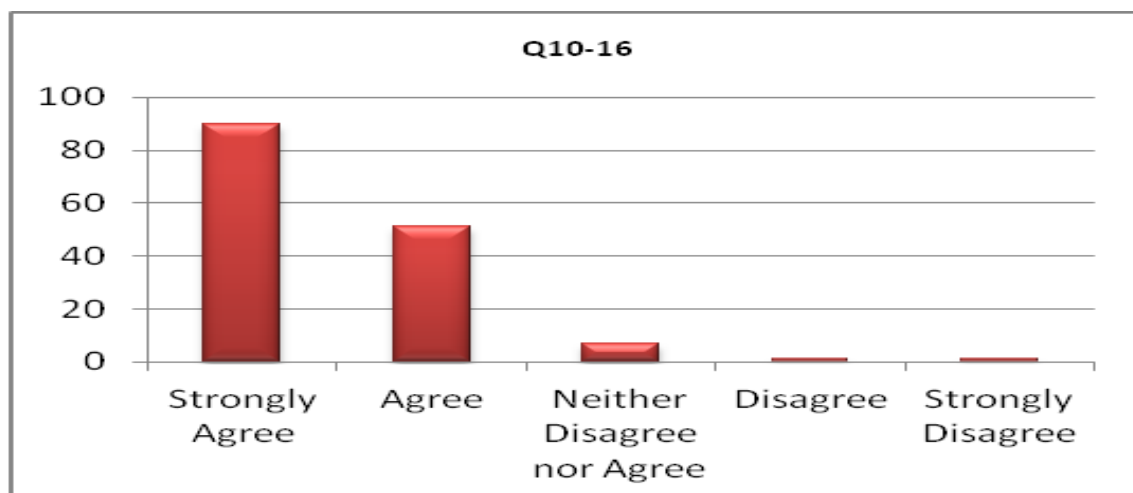
**TABLE 4.24 FAIRNESS OF PERFORMANCE APPRAISAL (N=150)**

	FREQUENCY	PERCENTAGE
Strongly Agree	86	57.3%
Agree	42	28.0%
Neither Disagree nor Agree	13	8.7%
Disagree	6	4.0%
Strongly Disagree	3	2.0%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.24 and Table 4.24 respectively illustrate that the majority of respondent (85.3%) agreed that performance appraisal are fairly and honestly done in their organization, while 8.7% neither disagreed nor agreed. Only a minor 6.0% of the

respondents disagreed with this statement. According to Bates (2003:11), a significant direction of research regarding performance appraisal and approaches for evaluation has concentrated on employee satisfaction and perceptions of the process. This direction has lead researchers and practitioners to take a more comprehensive view of performance appraisal policy and evaluation of policies which include these factors. One common theme of recent research is that attitudes of the policy's users toward the process determine to a large degree the ultimate effectiveness of a performance appraisal policy (Roberts, 2002:352). Employee perceptions of fairness of performance appraisal have been shown to be linked to satisfaction with the policy. Stone (2002:12) asserts that the most important performance appraisal issue faced by organizations is the perceived fairness of the performance review and the performance appraisal policy. Bate's (2003:11) findings indicated that most employees perceived their performance appraisal policy as neither accurate nor fair. Armstrong (2001:474) suggests that the appraisal process can become a source of extreme dissatisfaction when employees believe the policy is biased, political or irrelevant. A major problem for organizational managers is that the performance appraisal and the performance evaluation are often perceived as both inaccurate and unfair (Halachmi, 2005:504).

**FIGURE 4.25                      PERFORMANCE APPRAISAL POLICY MOTIVATE  
EMPLOYEES (N=150)**

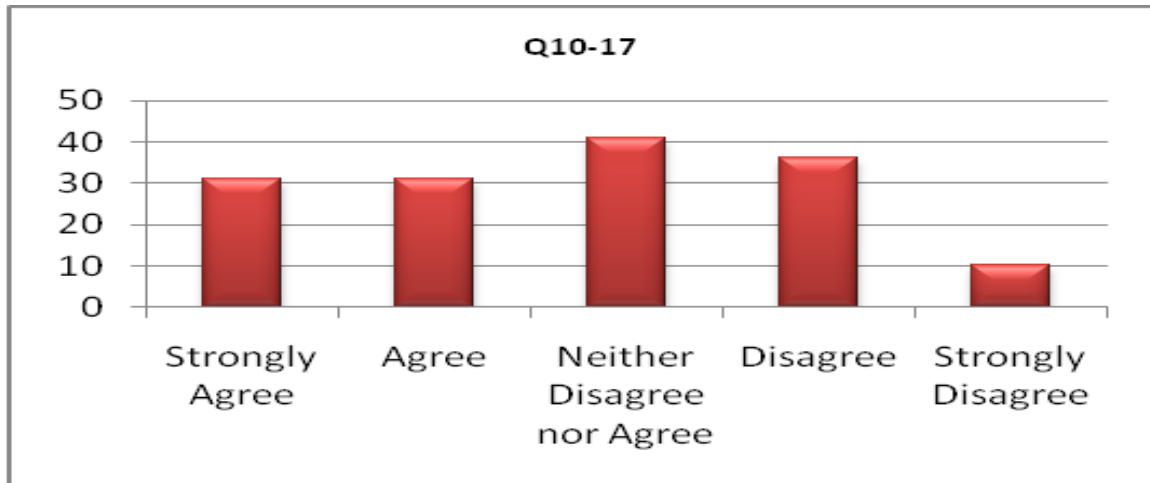


**TABLE 4.25                      PERFORMANCE APPRAISAL POLICY MOTIVATE  
EMPLOYEES (N=150)**

	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
Strongly Agree	90	60.0%
Agree	51	34.0%
Neither Disagree nor Agree	7	4.7%
Disagree	1	0.6%
Strongly Disagree	1	0.7%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

The above Figure 4.25 and Table 4.25 respectively depict that 94.0% of the respondents strongly agreed that performance appraisal policy motivates employees to improve their performance, while 4.7% neither disagreed nor agreed. Only a marginal 1.3% of the respondents disagreed with this statement. Byron (2007:713) asserts that performance appraisal and its feedback is always a big source of motivation to improve employee performance for the next period of time. The objective of performance appraisal is to influence the employee's job performance with a systematic process appraisal, that have a major impact on the employees to achieves a certain level of motivation to improve their performance (Markle, 2000:5). Armstrong (2006:7) argues that in order to motivate employees through performance appraisal policy, the policy should be used for reward and recognition. Kuvaas (2006:510) highlights that motivation is the key element to employee performance. Moreover, performance appraisal policy also creates a learning experience that motivates employees to develop themselves and improve their performance.

**FIGURE 4.26                      PERFORMANCE APPRAISAL NEEDS TO BE DONE  
REGULARLY (N=150)**



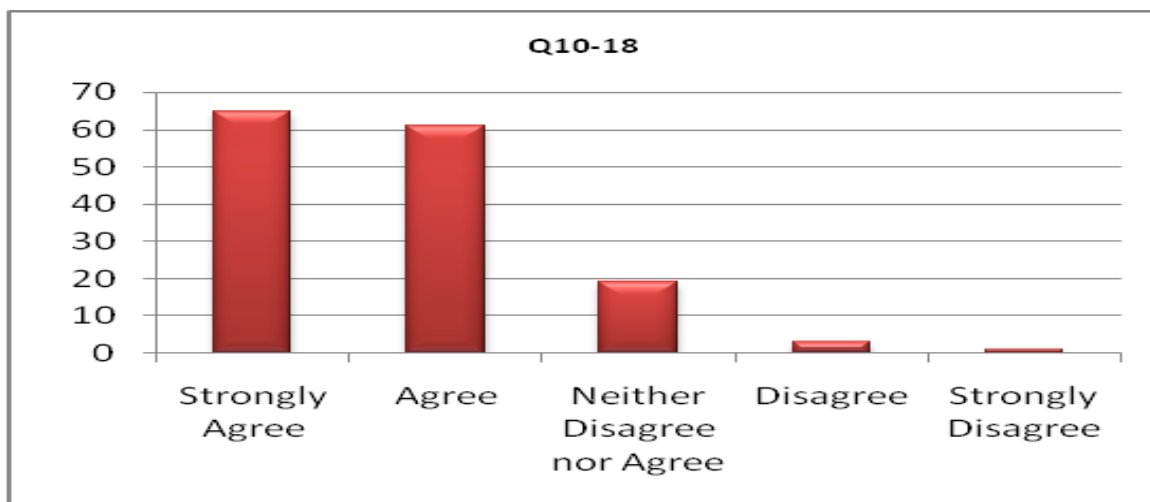
**TABLE 4.26                      PERFORMANCE APPRAISAL NEEDS TO BE DONE  
REGULARLY (N=150)**

	FREQUENCY	PERCENTAGE
Strongly Agree	31	20.7%
Agree	31	20.7%
Neither Disagree nor Agree	41	27.3%
Disagree	37	24.6%
Strongly Disagree	10	6.7%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.26 and Table 4.26 respectively indicate that 41.4% of the respondents agreed that it would not make much difference to employees if performance appraisals were not done regularly while 27.3% neither disagreed nor agreed. Surprisingly, 31.3% of the respondents disagreed with this statement. According to Fletcher (2008:5), there should be a clear time period of performance appraisal, like semi-annually or per annum. However, all the employees are acquainted with that when this process is being conducted so that they are capable to do well at their job and get utmost reward for their efforts. If this

process is conducted semi-annually then the management is able to inform employees of their strengths, weaknesses, developmental areas and key improvement areas. Thus, it will help the employees to perform better than the last period of performance measurement (Mondy and Noe, 2008:328). Rudman (2003:437) supports the view that employees should be appraised at least once in a year, as this will contribute to increased employee efficiency and performance.

**FIGURE 4.27                      PERFORMANCE APPRAISAL POLICY ENHANCES  
EMPLOYEE PERFORMANCE (N=150)**

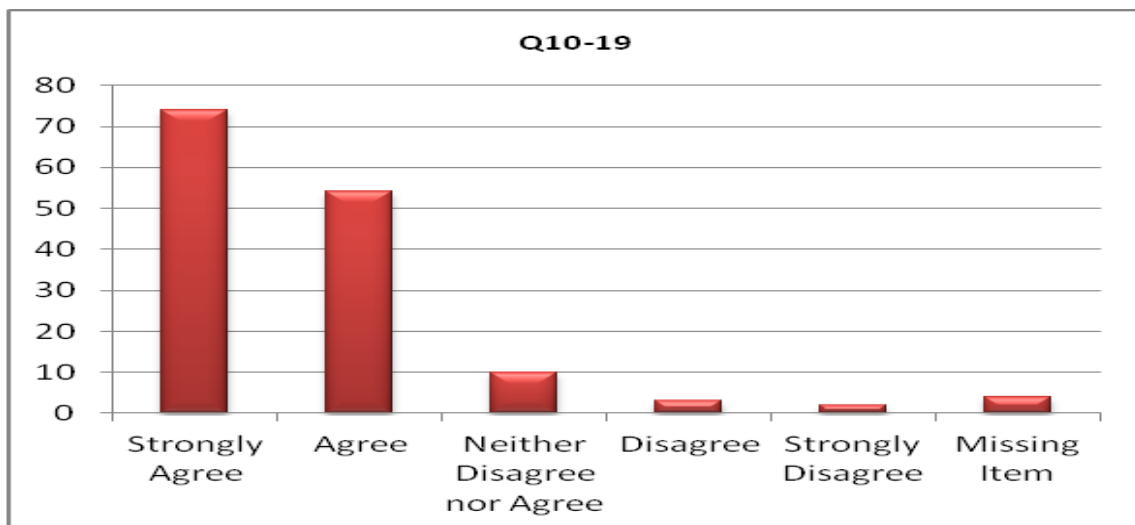


**TABLE 4.27                      PERFORMANCE APPRAISAL POLICY ENHANCES  
EMPLOYEE PERFORMANCE (N=150)**

	FREQUENCY	PERCENTAGE
Strongly Agree	65	43.3%
Agree	61	40.7%
Neither Disagree nor Agree	19	12.7%
Disagree	4	2.7%
Strongly Disagree	1	0.6%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.27 and Table 4.27 respectively show that the majority of respondents (84.0%) agreed that the performance appraisal policy is constructive and enhances employees' performance, while 12.7% neither disagreed nor agreed. Only a marginal 3.3% of the respondents disagreed with this statement. According to Markle (2000:5), the factors found to enhance employees' performance include focusing performance appraisal policy on tasks the employee was highly familiar with, rather than the employees' attributes. Furthermore, it may draw attention to discrepancies between actual employee performance and desired performance. Neal (2001:98) asserts that performance appraisal policy is supposed to be about reviewing work performance and giving feedback in order facilitate improved employee performance. Robbins and Coulter (2002:178) suggest that if the management has the full co-operation of the employees and on the same hand if employees coordinate with management then the employee performance and participation can actually help in the performance appraisal policy for the subsequent period.

**FIGURE 4.28                      PERFORMANCE APPRAISAL POLICY AS A LEGITIMATE TOOL FOR ITS IMPORTANCE (N=150)**



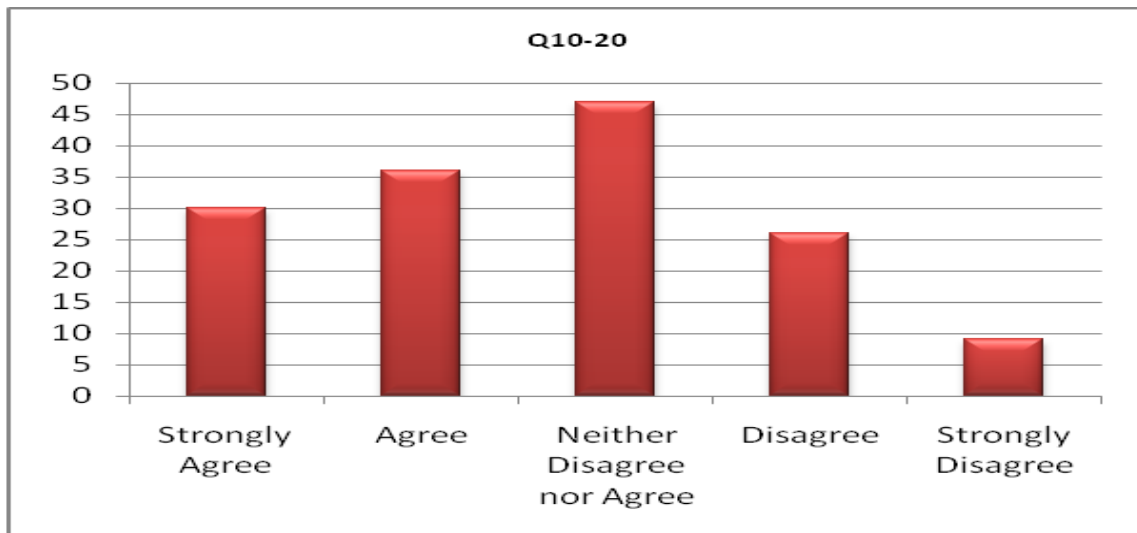
**TABLE 4.28                      PERFORMANCE APPRAISAL POLICY AS A LEGITIMATE  
TOOL FOR ITS IMPORTANCE (N=150)**

	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
Strongly Agree	76	49.3%
Agree	56	36.0%
Neither Disagree nor Agree	10	6.7%
Disagree	3	2.0%
Strongly Disagree	4	5.3%
Missing Item	1	0.7%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

The results in Figure 4.28 and Table 4.28 respectively indicate that the majority of respondents (85.3%) agreed that performance appraisal policy is accepted as legitimate and being important by the organization while 6.7% neither disagreed nor agreed. A marginal 7.3% of the respondents disagreed with this statement. Only 1 respondent (0.7%) did not answer this statement and is thus shown as a missing item in Figure 4.28 and Table 4.28. According to Anderson (2002:2), performance appraisal is an integral part of a policy of responsibility, authority and accountability. Employee performance must be accurately appraised against well-defined goals, measured through identifiable indicators, as should employee contribution to overall results. Moreover, managerial actions must flow from this performance appraisal, if result-based management is genuinely to take root at all levels of any given organization (Pickett, 2003:237). Armstrong (2001:465) postulates that performance appraisal policy can provide for an integrated and coherent range of human resource management processes that are mutually supportive and contribute as a whole to increasing organizational effectiveness.



**FIGURE 4.29 THE ROLE OF MANAGERS IN PERFORMANCE APPRAISAL ON EMPLOYEES (N=150)**



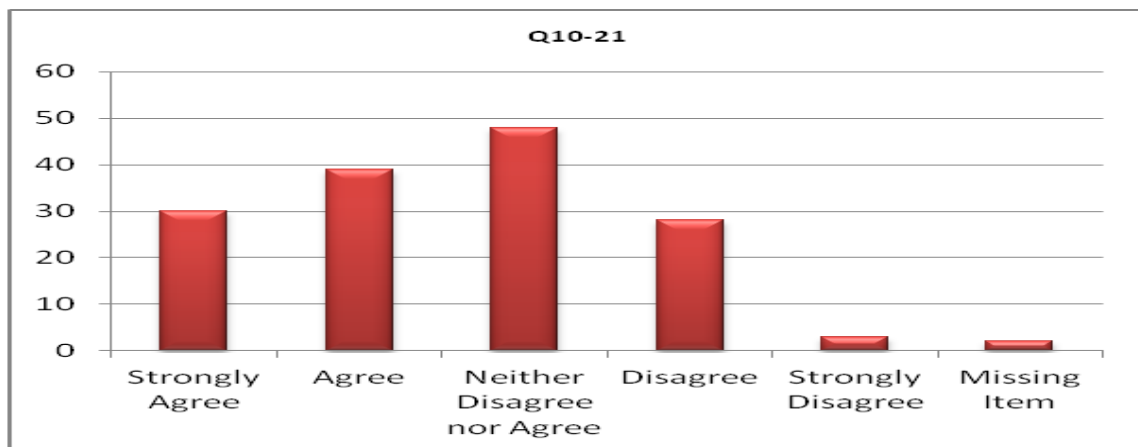
**TABLE 4.29 THE ROLE OF MANAGERS IN PERFORMANCE APPRAISAL ON EMPLOYEES (N=150)**

	FREQUENCY	PERCENTAGE
Strongly Agree	30	20.0%
Agree	36	24.0%
Neither Disagree nor Agree	47	31.4%
Disagree	26	17.3%
Strongly Disagree	11	7.3%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.29 and Table 4.29 respectively illustrate that 44.0% of the respondents agreed that their manager rates all employees on average rather than low or high to prevent controversy among employees while 31.4% neither disagreed nor agree. 24.6% of the respondents disagreed with this statement. According to Markle (2000:74), ill-prepared evaluations are worse than no evaluation at all. Inaccurate evaluations can come back to haunt the organization in the form of discipline, arbitration, hearing and grievance procedures. Thus, commitment from

the manager to conduct performance appraisals correctly is essential (Mackey and Johnson, 2000:4). Halachmi (2005:510) asserts that managers should be capable of being honest, because many performance evaluations exaggerate employee performance. Stone (2002:22) highlights that the most frequent complaint is that a large number of managers are poorly trained in how to give feedback to employees and they provide little coaching, mentoring or support. Hunt (2005:2) contends that the use of specific facts to support ratings high and low is drawn from personal observations, the inputs of other supervisors and other documented events generated during the performance appraisal period.

**FIGURE 4.30**                    **EMPLOYEE PERCEPTIONS OF PERFORMANCE APPRAISAL**  
(N=150)

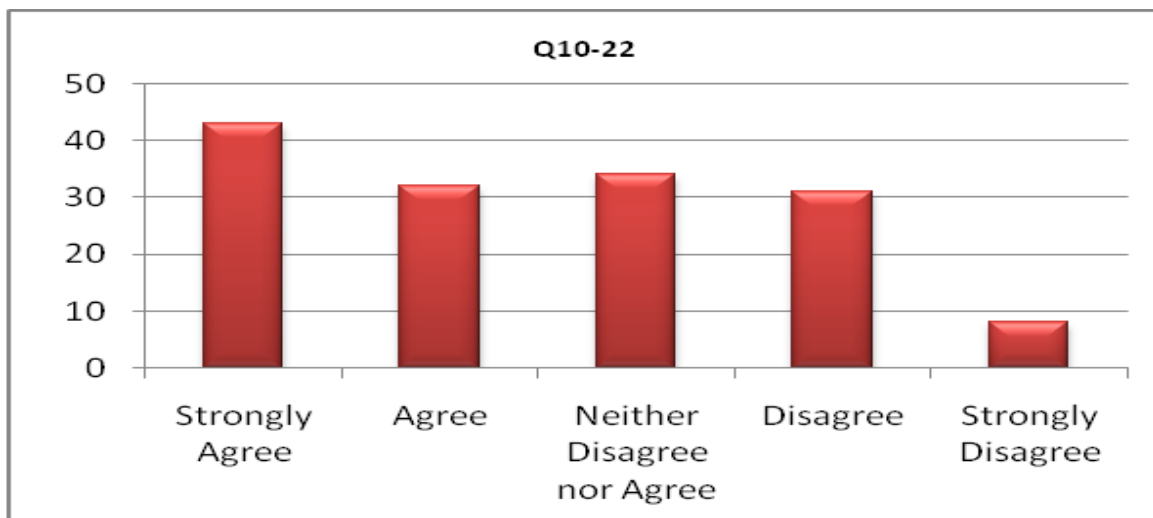


**TABLE 4.30**                    **EMPLOYEE PERCEPTIONS OF PERFORMANCE APPRAISAL**  
(N=150)

	FREQUENCY	PERCENTAGE
Strongly Agree	30	20.0%
Agree	39	26.0%
Neither Disagree nor Agree	48	32.0%
Disagree	30	20.0%
Strongly Disagree	2	1.3%
Missing Item	1	0.7%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.30 and Table 4.30 respectively illustrate that 46.0% of the respondents agreed that the current employee performance evaluation is more subjective, while 32.0% neither disagreed nor agreed. 21.3% of the respondents disagreed with this statement. A common feature of performance appraisal policies is the use of a form of rating scale to gather judgements about the employee's performance (Decenzo, Robbins and Stephen, 2002:200). Grote and Grote (2002:5) highlight that when evaluating these rating scales, reliability, sensitivity, fairness and validity are key issues. Furthermore, in using the rating scale, acceptable measurement can only be achieved if the factors are clearly defined, comprehended and interpreted in the same way by all participants. Armstrong (2001:466) suggests that it is important that the criteria for the performance appraisal policies are based upon a good job analysis.

**FIGURE 4.31**                    **PERCEPTIONS OF EMPLOYEE PERFORMANCE  
EVALUATION REVIEWS (N=150)**

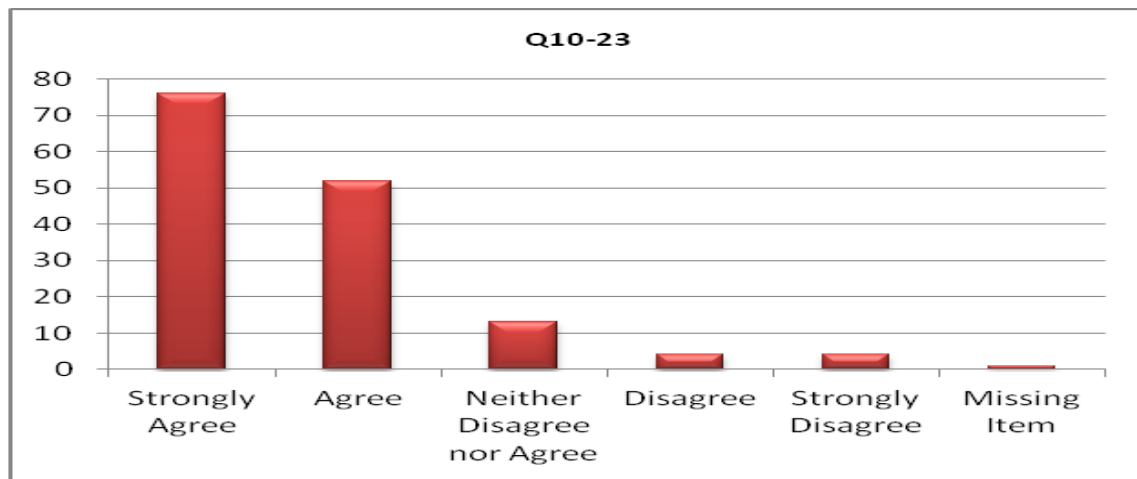


**TABLE 4.31                      PERCEPTIONS OF EMPLOYEE PERFORMANCE  
EVALUATION REVIEWS (N=150)**

	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
Strongly Agree	43	28.7%
Agree	32	22.6%
Neither Disagree nor Agree	34	21.4%
Disagree	31	20.7%
Strongly Disagree	10	6.6%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.31 and Table 4.31 respectively depict that 51.3% of the respondents agreed that the current employee performance evaluation should be revised to meet the needs of Guaranty Trust Bank while 21.4% neither disagreed nor agreed. 27.3% of the respondents disagreed with this statement. According to Freeman (2002:9), employees often find themselves in situations where they must change direction frequently. Therefore, the employee seeks constant feedback to determine whether the direction they are working is what is expected by the organization. Dessler and Gary (2000:24) highlight that many organizations are scrapping the traditional performance appraisal policy in favour of performance management. This is supported by Wade and Ricardo (2001:319) who state that a new approach focuses on coaching and feedback. In such a policy the manager and employee agree upon goals prior to the review taking place.

**FIGURE 4.32 THE FAIRNESS OF THE PERFORMANCE APPRAISAL POLICY OF GUARANTY TRUST BANK (N=150)**



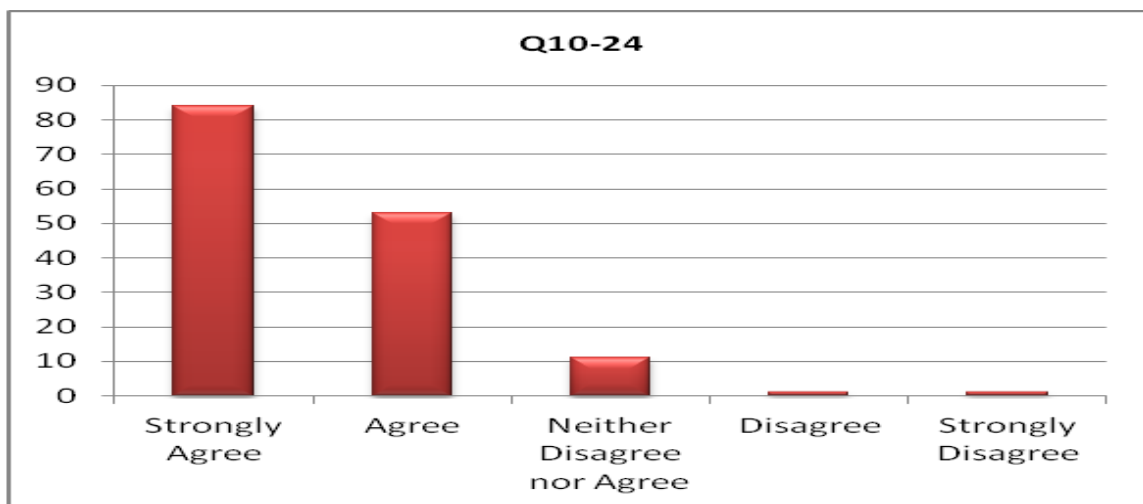
**TABLE 4.32 THE FAIRNESS OF THE PERFORMANCE APPRAISAL POLICY OF GUARANTY TRUST BANK (N=150)**

	FREQUENCY	PERCENTAGE
Strongly Agree	76	50.7%
Agree	52	34.7%
Neither Disagree nor Agree	13	8.5%
Disagree	4	2.7%
Strongly Disagree	4	2.7%
Missing Item	1	0.7%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.32 and Table 4.32 respectively affirm that the majority of respondents (85.4%) agreed that the performance appraisal policy of Guaranty Trust Bank is fair and is based on employees' performance, while 8.5% neither disagreed nor agreed. Only a minor 5.4% of the respondents disagreed with this statement. Ford (2002:551) believes that to transform the organization from best-effort into a results-driven organization, performance appraisal policy should be used to reward high performers and directly target poor performer for improvement.

Armstrong (2001:505) asserts that performance appraisal should form the foundation for remuneration and reward, based on employee performance. Fletcher (2008:20) suggests that whatever the outcome action of the performance appraisal policy is, fairness and parity must permeate the policy to ensure that the employees receive a fair and equitable appraisal. Williams (2002:10) highlights that the employer should be satisfied that the employee is functioning well, in terms of the needs of the organization. Moreover, the employee needs to be satisfied that the employer and the organization are looking after his/her needs in relation to an objective performance appraisal.

**FIGURE 4.33                      TRAINING AND DEVELOPMENT OF THE JOB AND ITS  
IMPACT ON EMPLOYEE PERFORMANCE (N=150)**

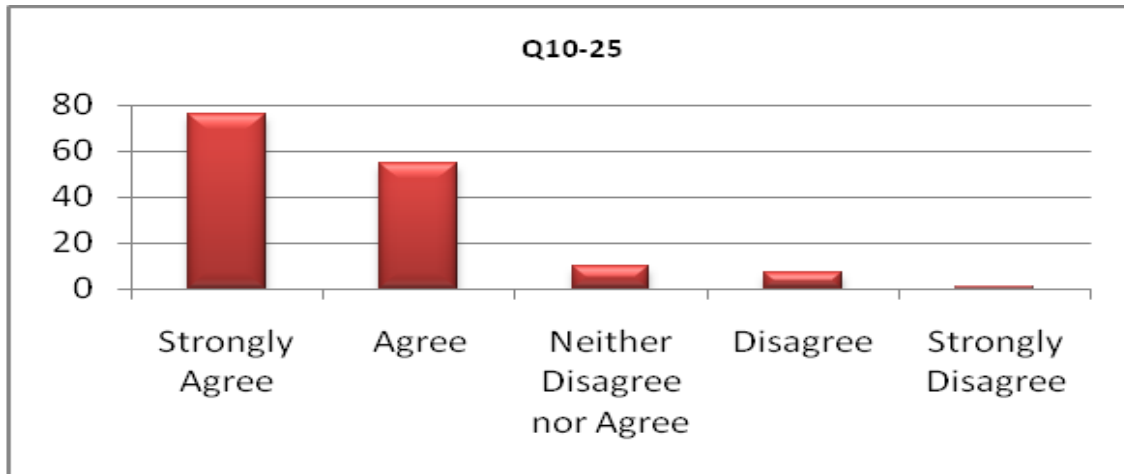


**TABLE 4.33                      TRAINING AND DEVELOPMENT OF THE JOB AND ITS  
IMPACT ON EMPLOYEE PERFORMANCE (N=150)**

	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
Strongly Agree	84	56.0%
Agree	53	35.3%
Neither Disagree nor Agree	11	7.3%
Disagree	1	0.7%
Strongly Disagree	1	0.7%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.33 and Table 4.33 respectively illustrate that 91.3% of the respondents strongly agreed that the adequate training which employees received based on performance appraisal policy will result in improvement in employee performance while 7.3% neither disagreed nor agreed. Only a minor 1.4% of the respondents disagreed with this statement. Direct observation at the Guaranty Trust Bank in Nigeria revealed that employees tend to perform better on their job. Particularly when the training has to do with rectifying job deficiencies identified in the course of an assessment of the employee's performance. This finding is in line with the view of Simmons and Lovegrove (2002:42) noted in the literature review. These authors stressed that training helps to give employees greater competence and personal satisfaction from the experience of being able to perform a job well. Williams (2002:27) also contends that a lack of training of employees may cause discrepancies between expected and actual performance of the process and associated satisfaction. Overall, training should increase the effectiveness of the performance appraisal policy and lead to greater organisational success (Cook and Crossman, 2004:532).

**FIGURE 4.34                      EFFICIENCY OF PERFORMANCE APPRAISAL ON EMPLOYEE PERFORMANCE (N=150)**



**TABLE 4.34                      EFFICIENCY OF PERFORMANCE APPRAISAL ON EMPLOYEE PERFORMANCE (N=150)**

	FREQUENCY	PERCENTAGE
Strongly Agree	76	50.5%
Agree	55	36.7%
Neither Disagree nor Agree	11	7.4%
Disagree	7	4.7%
Strongly Disagree	1	0.7%
<b>TOTAL</b>	<b>150</b>	<b>100%</b>

Figure 4.34 and Table 4.34 respectively illustrate that the majority of respondents (87.2%) agreed that employee performance appraisal is carried out in an efficient manner and does not unduly consume managerial time while 7.4% neither disagreed nor agreed. Only a minor 5.4% of the respondents disagreed with this statement. According to Mondy and Noe (2008:6), performance appraisals do not have to be time consuming and pose an onerous administrative exercise. Properly managed and executed performance appraisals can be an invaluable way to support and encourage goals, feedback and development for employees.



Hunt (2005:52) asserts that one of the most common problems faced by organizations with paper-based performance appraisal policies is low participation or on time completion rates. Mello (2010:47) highlights that most organizations who adopt an automated performance appraisal tool see their on-time completion rates increase.

#### **4.4 HYPOTHESES TESTING**

Mouton (2001:109) explains that observations or data can be interpreted by developing hypotheses or theories that explain observed patterns and trends in the data. Interpretation means associating the results and findings of the study to existing theoretical frameworks or models and showing whether these are supported or proven to be false by the new interpretation. The formulation of hypotheses is a fundamental principle in the scientific method and the purpose of hypothesis is to predict a relationship between variables that can be tested. The hypothesis, once formulated, can be accepted or rejected on the basis of the statistical tests (Goddard and Melville, 2006:69). According to Walliman (2004:253), an essential part of any empirical analysis is to analyze the large collection of raw data into meaningful information. There are many reasons for analyzing data which include testing hypotheses, forecasting, making comparisons, measuring and examining relationships (Gaur and Gaur, 2009:33).

#### **4.5 STATISTICAL TESTING**

Having completed a descriptive analysis of research presentation on performance appraisal policy and its impact on employee performance, it is appropriate to test the relevant hypothesis pertaining to the empirical analysis. The Pearson's Chi-square test was performed to determine whether there was a significant relationship between the variables. Willemse (2009:209) highlights that a Chi-square test is commonly used to test significant relationships such as the assumption of some characteristic that could be supported or rejected by

empirical evidence. The null hypothesis states that there is no difference between the expected frequencies for the options per statement within each category. Pallant (2005:290) contends that a significant result is indicated when  $p < 0.05$  which implies that null hypothesis is rejected and the alternate hypothesis is satisfied.

H<sub>01</sub> There is a significant relationship between the perceptions of employees towards performance appraisal and job performance.

**TABLE 4.35 EMPLOYEES' PERCEPTION TOWARDS PERFORMANCE APPRAISAL LEADS TO JOB PERFORMANCE (N=150)**

					TOTAL
	POSITIVE PERCEPTION		NEGATIVE PERCEPTION		
YES	53	65.4%	46	66.7%	99
NO	28	34.6%	23	33.3%	51
TOTAL	81	54%	69	46%	150

\* Pearson Chi-square = 0.025<sup>b</sup>, df = 1, Significance  $p < 0.05$ .

In relation to Table 4.35 the hypothesis tested, a Pearson Chi-square test revealed a highly significant result ( $p < 0.05$ ). A further analysis showed that the majority of respondents (65.4%) affirmed that employees' perception towards performance appraisal leads to improved job performance. According to Tyson and York (2000:11), several criteria are needed in order to evaluate job performance of an employee accurately. In the view of Robbins and Coulter (2002:24), the data or information that managers receive on how well employees are performing their jobs can be of three different types. Trait-based information, Behaviour-based information and Result based information. Levinson (2005:230) indicates that trait-based information identifies a subjective character of the

employee such as attitude, initiative or creativity. Behaviour-based evaluations of job performance focus on what is included in the job itself (Armstrong and Baron, 2005:2). Results are outcomes produced by the employee. Result based information consider employee accomplishment. For jobs in which measurement is easy and obvious, a results-based approach works well (Mello, 2010:294). The nature of job itself was found to be positively correlated with performance which indicates that satisfaction with amount of variety and challenge in one's job actually influence performance. The sense of job satisfaction, feeling important in eyes of others, realizing ones' competence and freedom to make decisions are positively related to employee performance (Levinson, 2005:230).

H<sub>02</sub> There is a significant relationship between the perceptions of employees towards performance appraisal and the importance of the appraisal.

**TABLE 4.36 EMPLOYEES' PERCEPTION ON PERFORMANCE APPRAISAL AND IMPORTANCE OF THE APPRAISAL (N=150)**

					TOTAL
	POSITIVE PERCEPTION		NEGATIVE PERCEPTION		
YES	63	77.8%	52	75.4%	115
NO	18	22.2%	17	24.6%	35
TOTAL	81	54%	69	46%	150

\* Pearson Chi -square = 0.122<sup>b</sup>, df = 1, Significance p<0.05.

In relation to Table 4.36, a Pearson Chi-square test revealed a significant results (p<0.05). A further analysis revealed that the majority of respondents (77.8%) affirmed that employees' perception towards performance appraisal is important. According to Rudman (2003:437), the employees must be aware of the importance and criticality of performance appraisal and its ultimate affect on the motivation, loyalty, job satisfaction plus its has a big effect on the growth and

success of the organization. Cook and Crossman (2004:531) highlight that performance appraisals are important for employee motivation, attitude and behaviour development, communicating organizational aims and fostering positive relationships between management and employees. Rudman (2003:437) believes that performance appraisal policy was viewed as the single largest factor contributing to the development of the organization. However, it gives ways to innovative thinking and a determined action to eliminate underperformance, unmotivated and poorly managed and trained employees. Performance appraisal can also help the employees to decide the factors that can be employed to increase the performance of employees (Armstrong and Baron, 2005:80).

H<sub>03</sub> There is a significant relationship between the perceptions of employees towards performance appraisal and employee promotions.

**TABLE 4.37 EMPLOYEES' PERCEPTION TOWARDS PERFORMANCE APPRAISAL LEADS TO PROMOTIONS (N=150)**

					TOTAL
	POSITIVE PERCEPTION		NEGATIVE PERCEPTION		
YES	68	87.7%	71	98.6%	139
NO	10	12.3%	1	1.4%	11
TOTAL	78	52%	72	48%	150

\* Pearson Chi -square = 6.510<sup>b</sup>, df = 1, Significance p<0.05.

In relation to Table 4.37, a Pearson Chi-square test revealed a significant result (p<0.05). A further analysis showed that the majority of respondents (87.7%) affirmed that promotion of the employees in the organization may be influenced by properly organized and executed performance appraisals. According to Armstrong and Baron (2005:8), if the employee is working hard, addressing all

tasks expected and performing beyond expectations, the employer may give the employee a promotion as a sign of excellence. The promotion may indicate that the employee is ready for more responsibility in the organization and is mature enough to play a larger role in the business. A promotion may not be the result of any positive employee performance review, as the employer may not have that option each time (Fletcher, 2008:5). To effectively encourage employees to work harder, there must be a fair but not overly generous chance of promotion and a reasonable pay rise or a lower chance of promotion and a much larger pay rise (Lazear, 2000:1349). Higher level jobs may be handsomely paid not because of a higher output, but to act as a reward to encourage effort at the lower levels. There must be regular job turnover so that follow-up promotions keep hope alive among the junior employees (Hunt, 2005:2).

H<sub>04</sub> There is a significant relationship between the perceptions of employees towards performance appraisal and effective performance.

**TABLE 4.38 EMPLOYEES' PERCEPTION ON PERFORMANCE APPRAISAL LEADS TO EFFECTIVE PERFORMANCE (N=150)**

					TOTAL
	POSITIVE PERCEPTION		NEGATIVE PERCEPTION		
YES	56	69.1%	49	71.0%	105
NO	25	30.9%	20	29.0%	45
TOTAL	81	54%	69	46%	150

\* Pearson Chi -square = 0.063<sup>b</sup>, df = 1, Significance p<0.05.

A Pearson Chi-square test revealed a significant result (p<0.05). A further analysis showed that the majority of respondents (69.1%) affirmed that employees' perception on performance appraisal leads to effective performance.

According to Fletcher (2008:63), the element of an effective performance appraisal policy is based on what effect the performance of employee determines compensation. Coens and Jenkins (2002:232) assert that effective performance appraisal policy consists of constructive feedback for improvement as well as recognition for good employee performance. The ability to address both within the performance appraisal enables a balanced employee assessment. However, both constructive feedback and recognition are requirements for determining employee skills and aptitude, as well as training and development needs.

H<sub>05</sub> There is a significant relationship between the perceptions of employees towards performance appraisal and enhanced performance.

**TABLE 4.39 EMPLOYEES' PERCEPTION ON PERFORMANCE APPRAISAL ENHANCES PERFORMANCE (N=150)**

					TOTAL
	POSITIVE PERCEPTION		NEGATIVE PERCEPTION		
YES	72	88.9%	65	94.2%	137
NO	9	11.1%	4	5.8%	13
TOTAL	81	54%	69	46%	150

\* Pearson Chi Square = 1.329<sup>b</sup>, df = 1, Significance p<0.05.

In relation to Table 4.39, a Pearson Chi-square test revealed a significant result (p<0.05). A further analysis revealed that the majority (88.9%) affirmed that employees' perception on performance appraisal enhances performance. According to Rechter (2010:7), performance appraisal policies are motivational for employees who are looking to enhance their personal learning, growth and development. Performance appraisal policy is a highly valuable source of information, insights and tools necessary for employee performance. Markle

(2000:5) asserts that factors found to enhance employees' performance included focusing performance appraisal policy on tasks the employees' were highly familiar by focusing discussion on the task rather than on the employees' attribute. However, it may also draw attention to discrepancies between actual employee performance and desired performance.

#### **4.6 LIMITATIONS OF THE STUDY**

The study was restricted to the Guaranty Trust Bank in Lagos, Nigeria. The study focused on all employees in the organisation. The target respondents were only 150 which implied that the total population was small. A larger population would improve generalisability of results. Some respondents complained of time constraints in answering the questionnaires. This was due to constant pressure from customers for services. To help solve this problem the questionnaires were given to them to answer at their convenience. Respondents were given adequate time to read the questionnaire and an appointment was made to collect the questionnaire at a later date. All respondents were given a maximum of 3 days to complete the questionnaire. This concession helped to build trust and a good working relationship between the researcher and respondents. There were no major problems encountered whilst conducting the research. The management and Human Resources Group of the Guaranty Trust Bank in Nigeria were extremely supportive in the investigation.

#### **4.7 CONCLUSION**

This chapter presented the results of the field work conducted amongst employees of Guaranty Trust Bank in Nigeria. It analyzed and interpreted the data gathered from the questionnaires. The service of a statistician was solicited to analyze the data for this study. The findings from the empirical analysis in this study are consistent with the literature review as well as problem statement to determine the impact of performance appraisal on employee performance in Guaranty Trust Bank. Based on this, the next chapter presents the conclusions

that are drawn from the study. It will further highlight the recommendations based on the interpretation of the results. These recommendations can only be generalized to Guaranty Trust Bank employees in Nigeria as it was an in house investigation. However, other scholars may find the findings useful for a similar study.



## **CHAPTER 5**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

This chapter gives an overview of the study and focuses on providing the conclusion derived from the study and offer recommendations. The research methodology adopted the quantitative research design. It also highlighted the target population in this study and the method that was used for data collection as well as procedures used for the data analysis. The measuring instrument was a structured questionnaire. It was personally administered to the target respondents to solicit their opinion on performance appraisal policy and its impact on employee performance at Guaranty Trust Bank in Nigeria. A response rate of 100% was obtained using the personal method. The management of the Guaranty Trust Bank in Nigeria gave an Informed Consent letter (Annexure A) to conduct the in house investigation and this was appreciated by the researcher.

The findings revealed that competence, assessment and development, communication and the adequate training which employees received based on the performance appraisal policy all had an impact on employee performance in Guaranty Trust Bank in Nigeria. Furthermore, factors, such as employee training, competence and communication could not be ignored since they were rated to a moderate extent by the employees and it also contributed to employee performance. According to Nurse (2005:1176), managers must recognize that an employee's development is a continuous cycle of setting performance goals, assessing employee performance and then setting new higher goals. Scott and Einstein (2001:109) emphasised that training helps to give employees greater competence and personal satisfaction from the experience of being able to perform a job well. The process of performance appraisal policy in Guaranty Trust Bank in Nigeria was also viewed as making an important contribution to effective human resources development.

## 5.2 CONCLUSION

The empirical findings and discussion of results showed that, performance appraisals can benefit both employers and employees. They can improve employees' job performance and suitability for promotion while at the same time helping to use labour more effectively. In addition, performance appraisals can improve communications and the quality of working life and make employees feel that they are valued by the organization. A formal performance appraisal policy is the tangible way by which an organization can determine the level of performance of its diverse employees.

The findings demonstrated that the performance appraisal policy can be an effective tool in employee performance if it is perceived to be objective and fair. The findings also revealed that employee participation in the performance appraisal policy was high and this led to employee performance and perception of the process and outcome as being fair. This finding also confirmed the observations of Bond and Fox (2007:143) who highlight that employee performance was transparent in their evaluations and that they were treated fairly in compensation and promotion.

Moreover, motivation and performance were enhanced when employees participated in goal setting. This corroborated Armstrong's (2006:7) assertion that employee motivation and performance will improve if employees have challenging but agreed upon goals and receive feedback. Employees feel motivated when they know how well they are doing on their jobs. This also informs employees of their potential worth and that the organization cares for them. Performance appraisal policy, particularly on interpersonal (supervisor/subordinate) basis, has been found to be useful and highly effective in motivating employees to higher performance. Lastly, it can also be concluded that promotions of the employees in organization are greatly influenced by a properly organized and executed performance appraisal policy.

### 5.3 RECOMMENDATIONS

- The results of the study indicated that most employees preferred performance appraisals to be used for training and development purposes. It is recommended that managers should improve on the training and development needs analysis component of performance appraisal policy in order to meet the aspirations of employees. A well trained and developed workforce is required for increased employee performance and organizational growth. It would also lead to efficiency and effectiveness of organizational activities.
- During the design of performance appraisal policy in Guaranty Trust Bank, top management should consider all factors of an effective performance appraisal policy so as to achieve the goals upon which they are designed. The major factors should include frequency of the performance appraisal, accurate record keeping, employees' performance ratings and employees' strength and weaknesses. Furthermore, the performance appraisal policy should be able to provide feedback to employees and it should avoid bias and the procedures for the performance appraisal policy should be measurable.
- Guaranty Trust Bank in Nigeria is working closely on its performance appraisal policy and introducing some of the modern methods for appraising the employees. Only when top management presents an acceptable employee performance measurement, then employees will be satisfied and give off their best to make the organization more profitable and also to enhance their own performance.
- Top management should as far as possible avoid laying too much emphasis on promotion and salary increase as the basis of performance appraisal policy. The emphasis should be on how the employees can achieve maximum performance and increased productivity.

- Line managers should ensure that they do not use sentiments and their own ratings to judge their subordinates during employee performance reviews. Halachmi (2005:510) contends that managers should be capable of being honest, because many performance evaluations exaggerate the employee's true performance.
- Any changes made to ratings of employees during the performance appraisal process should be communicated clearly and early to all concerned. This would go a long way to prevent conflict situations and create a healthy atmosphere for team work.
- Methods of helping poor performers to improve upon their performance, such as counselling and job rotation as well as transfers should be put in place by top management as policy interventions.
- To be able to obtain a reliable performance appraisal policy of the employee, supervisors should make it a point of making periodic notes on each of the employees to be appraised. This is because, if one waits till the end of the period to do the performance appraisal policy, the tendency will be to forget some other important positive or negative behaviour the appraisee showed in the course of that period under review.
- Top management and managers, who conduct the performance appraisal needs to be equipped with methods of motivating employees through the performance appraisal policy. Kuvaas (2006:510) indicates that motivation is an important element to employee performance. Furthermore, performance appraisal policy creates a learning experience that motivates employees to develop themselves and improve on their performance.
- Performance appraisal policy should be reviewed periodically to ensure that the employees meet changing needs. The introduction of a formal

performance appraisal policy does not remove the managers' responsibilities for reviewing employee performance on a regular basis.

- Based on the findings of this study, it is recommended that the line managers and employees should be consulted when the performance appraisal policy is designed, in order to ensure that the performance appraisal policy meets the needs and expectations of the employees. The design and structure of the performance appraisal policy is important to both employee and management. It is globally recognized that performance appraisal should be to the merit of both managers and employees (Anderson, 2002:82).
- It is also recommended that the top management should allow the employees to opt for job rotations within Guaranty Trust Bank so that they learn other skills which would be challenging and increase their interest. Top management should also make plans for job enrichment for employees so that they can attain maximum benefits for their own growth which in turn increases the performance of the employees.
- Employees should be duly informed of the purpose and need for performance appraisal policy which is to improve their performance. They should know that the exercise is not intended to punish, victimize or dismiss them. With this understanding, employees should discuss freely their achievements and shortcomings as well as how they would overcome these weaknesses. Byron (2007:713) supports the view that performance appraisal policy is always a big source of motivation to improve employee performance.
- Effective and proper implementation of performance appraisal policy should be carried out in Guaranty Trust Bank since this will go a long way to improving job performance of the employees and motivate them towards greater achievement. Anderson (2002:32) suggests that

performance appraisal policy, when properly implemented, produces immeasurable positive effects towards ultimate organisational goals.

- Management should educate the employees about their individual goals and share the aim and objectives with the organization. Employees should have the knowledge and freedom to participate in the decision making process. If management has the full co-operation of the employees then employee performance and participation can actually help in the formulation of the performance appraisal policy of the organization. In all this, the right of expressing opinions may enhance employee performance (Robbins and Coulter, 2002:178).

The above recommendations are based upon the findings and analysis from the empirical analysis of the results by the respondents of Guaranty Trust Bank in Nigeria. These suggestions may have critical importance towards the bank and its progress and may also help the Human Resources Department to improve the performance appraisal policy. Since this was an in-house investigation, the findings can only be generalised to employees in Guaranty Trust Bank in Nigeria.

#### **5.4 DIRECTIONS FOR FUTURE RESEARCH**

The following related areas could be researched to add to the findings of this study. First, there is a need to carry out an evaluation of the effectiveness of any new performance appraisal policy on employees in Guaranty Trust Bank in Nigeria. Secondly, research could be done to evaluate the impact of computerizing performance appraisal policy on employee performance in the organisation. This will help management understand the role of modern technology in designing performance appraisal policy. Lastly, a study could be conducted to establish the integration of performance appraisal policy with other sub-policies in the organization and determine the credibility of the instrument.

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## **ANNEXURE A**

Flat 3 Corlo Court Residence  
18 Heswall Road  
Durban, 4001  
South Africa.

The General Manager  
Human Resources Group  
Guaranty Trust Bank Plc  
Plural House  
Oyin Jolayemi Street  
Victoria Island

Dear Sir

### **INFORMED CONSENT LETTER TO CONDUCT RESEARCH**

An Informed Consent is hereby requested to conduct a research at Guaranty Trust Bank plc. The goal of the research is to investigate Performance Appraisal Policy and Its Impact on Employee Performance in Guaranty Trust Bank.

I am currently studying a full Masters Degree in Human Resources Management at the Durban University of Technology.

Therefore, it will be greatly appreciated if my request to conduct research in your reputable organization is granted.

Thank you in anticipation.

Yours faithfully

Michael Abiodun Akinbowale

Tel: 08101695410

Email: [abiodunnus2002@yahoo.com](mailto:abiodunnus2002@yahoo.com)



## ANNEXURE B

Guaranty Trust Bank plc  
RC: 152321



15<sup>th</sup> march 2011

**Mr Michael A. Akinbowale**  
**Durban University of Technology**  
**Faculty of Management**  
**Department of HRM**  
**Durban, 4000**  
**South Africa**

Dear Sir,

**RE: LETTER OF INFORMED CONSENT TO CONDUCT RESEARCH-**"The goal of the research is to investigate Performance Appraisal Policy and its Impact on Employee Performance"-A Case Study of Guaranty Trust Bank Plc.

The above subject refers.

We appreciate your interest in our bank.

We have considered your above request and hereby wish to inform you that your request has been granted.

Kindly call to confirm a convenient date and time for the interview.

Please contact Kunle Onobote, Human Resources Group for any other clarification  
Thank you.

Yours faithfully,

  
**KUNLE ONOBOTE**

**Manager: Human Resources Group**

The Board: Owelle G. P.O. Chikelu (Chairman); O. Aderinokun (Managing), O. Agbaje (Deputy Managing), Alh. M.K. Jada, V.G. Osibodu,  
- A.B Adesanya, E. U. Imomoh, O. S. Oduyemi, B. Ogundare (Executive), C.N. Echeozo (Executive), M.T. Habib (Executive).

## ANNEXURE C

### To All Respondents

Dear Sir/Madam

I am conducting a research to investigate performance appraisal policy and its impact on employee performance in Guaranty Trust Bank in Nigeria.

This study is for academic purposes as a partial requirement for a Masters Degree in Human Resources Management at the Durban University of Technology.

I am therefore kindly requesting you to answer this questionnaire. I shall treat the information with utmost confidentiality and anonymity is also guaranteed. The success of this research is fully dependant on your responses.

Thank you for your cooperation.

Michael Abiodun Akinbowale  
Department of Human Resources Management  
Durban University of Technology  
Durban, South Africa

.....

### Participation by respondents

I voluntarily wish to participate in this investigation as an employee of Guaranty Trust Bank.

.....  
Participant Signature

.....  
Date

## ANNEXURE D

### INSTRUCTIONS:

1. Place 1 tick with an X for each question.
2. Answer all questions.

### PRECODED QUESTIONNAIRE

#### SECTION A: PERSONAL DETAILS

1.	Age: 18-29	1
	30-39	2
	40-49	3
	50-59	4
	Over 60	5

2.	Gender:	Male	1	Female	2
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3.	Marital Status:	
	Single	1
	Married	2
	Separated	3
	Divorced	4
	Widow/er	5
	Common law	6

4. Unit with which you are employed at present:

Human Resources Group Unit	1
Finance Unit	2
Operations Unit	3
Marketing Unit	4
Foreign Exchange Unit	5
Information Technology Unit	6
Cash/Control Unit	7
Clearing/ Transfers Unit	8

5. Number of years of service at Guaranty Trust Bank

0 – 2 Years	1
3 – 5 Years	2
6 – 8 Years	3
9 – 11 Years	4

6. Your highest educational qualification

Secondary School Certificate	1
Certificate	2
Diploma	3
University Degree	4
Postgraduate Qualification	5

7. Do you feel that performance appraisal policy is important for employees in Guaranty Trust Bank?

Yes	1
No	2

8. Do you think that all employees should be involved in the development and design of a performance appraisal policy?

Yes	1
No	2

9. Is your organization's performance appraisal policy has any impact on employee performance?

Yes	1
No	2

## SECTION B: PERCEPTIONS OF PERFORMANCE APPRAISAL POLICY AND ITS IMPACT ON EMPLOYEES

10. Kindly indicate your view of the performance appraisal policy on the following statements by ticking a cross in the appropriate block.

NO	ITEMS	Strongly Agree	Agree	Neither Disagree Nor Agree	Disagree	Strongly Disagree
10.1	Performance appraisal policy provides essential feedback to employees about their performance.	1	2	3	4	5
10.2	Performance appraisal policy must allow for merit award for employees.	1	2	3	4	5
10.3	An important function of performance appraisal policy should be clarified, about is expected of employees in terms of performance.	1	2	3	4	5
10.4	An important function of performance appraisal policy should be to facilitate communication between employees and their managers.	1	2	3	4	5
10.5	Line management must be involved with the design of the performance appraisal policy.	1	2	3	4	5
10.6	Employees (other than managerial or HR practitioners) must be involved with the design of the performance appraisal policy.	1	2	3	4	5
10.7	Performance appraisal policy must have regular policy reviews built in.	1	2	3	4	5

NO	ITEMS	Strongly Agree	Agree	Neither Disagree Nor Agree	Disagree	Strongly Disagree
10.8	Employees discuss their performance problem during performance appraisal.	1	2	3	4	5
10.9	My performance is better than that of my colleagues with similar qualifications.	1	2	3	4	5
10.10	One of the best aspects of performance appraisal of Guaranty Trust Bank is the high intellectual standard of employee performance.	1	2	3	4	5
10.11	The measurement criteria (Key Performance Areas) used in performance appraisal policy must be quantifiable.	1	2	3	4	5
10.12	An important function of performance appraisal policy should be to determine the expectations and responsibilities to be performed by the employees.	1	2	3	4	5
10.13	An important function of performance appraisal policy should be the actual measurement of employee performance.	1	2	3	4	5
10.14	An important function of performance appraisal policy should be to facilitate the achievement of the individual employee's goals.	1	2	3	4	5
10.15	Performance appraisals are fairly and honestly done in this organization.	1	2	3	4	5

NO	ITEMS	Strongly Agree	Agree	Neither Disagree Nor Agree	Disagree	Strongly Disagree
10.16	Performance appraisal policy motivates employees to improve their performance.	1	2	3	4	5
10.17	It would not make much difference to employee performance if performance appraisals were not done regularly.	1	2	3	4	5
10.18	The performance appraisal policy is constructive and enhances employee performance.	1	2	3	4	5
10.19	Performance appraisal policy is accepted as legitimate and important by the organization.	1	2	3	4	5
10.20	My manager rates all employees on average rather than low or high to prevent controversy among employees.	1	2	3	4	5
10.21	The current employee performance evaluation is more subjective (opinion of the appraiser rather than the actual employee performance).	1	2	3	4	5
10.22	The current employee performance evaluation should be revised to meet the needs of Guaranty Trust Bank.	1	2	3	4	5
10.23	The performance appraisal policy of Guaranty Trust Bank is fair and is based on employee performance.	1	2	3	4	5



NO	ITEMS	Strongly Agree	Agree	Neither Disagree Nor Agree	Disagree	Strongly Disagree
10.24	The adequate training which employees received based on performance appraisal policy will result in improvement in employee performance.	1	2	3	4	5
10.25	Employees' performance appraisal is carried out in an efficient manner and does not unduly consume managerial time.	1	2	3	4	5

Thank you for your cooperation.