

**EFFECTS OF PERFORMANCE APPRAISAL ON JOB SATISFACTION  
AT KENYA COMMERCIAL BANK**

**BY**

**VICTORIA MUTILE KITHUKU**

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## DECLARATION

This management research project is my original work and has not been presented for a degree in any other University.

Signed .....

Date .....

Victoria Mutile Kithuku

D61/P/8524/06

This research project proposal work has been submitted for examination with my approval as University Supervisor.

Signature .....

Date .....

Prof. Martin Ogutu

School of Business

University of Nairobi

Department of Business Administration

## **DEDICATION**

To my parents, Mr and Mrs Kithuku who gave life to me and have taught me the importance of education. To my Husband, Kibiwot Tanui, who has been very supportive in my bid to complete this project. To my children, Tracie and Tedd for being understanding and accommodative and I believe they already feel inspired. To my unborn baby who has had to persevere with the pressure of completing this work.

Thank you and May God Bless you abundantly.

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Finally, I wish to express my heartfelt gratitude to my employer, Kenya Commercial Bank for making data available to me.

## **ABSTARCT**

Job satisfaction as pleasurable or positive emotional state resulting from the appraisal of one's job or job experience. Job satisfaction is a result of employee's perception of how well their job provides those things that are viewed as important. It is generally recognized in the organizational behaviour field that job satisfaction is the most important and frequently studied attitude. The main objective of the study was to assess performance appraisal and its impact on employee performance at Kenya Commercial Bank. The specific objectives were to establish the level of job satisfaction at Kenya Commercial Bank and to determine the effect of performance appraisal on Job Satisfaction at Kenya Commercial Bank. This study adopted a case study method. The researcher targeted employees of Kenya Commercial Bank Limited. These were five (5) employees of the Bank at Supervisory level in different departments in the organization. Data was collected using an interview guide which had open ended questions. Data was analysed using Microsoft Excel and Microsoft Word. Analysis was done by use of descriptive Characteristics. The study found out that study the performance appraisal method used can have both a positive and a negative impact on employee performance and it can also have a negative impact. The study also found out that there are other factors that reflect the level of job satisfaction and these are staff turnover, job rotation, career development, time management, job performance and teamwork. Finally the study found that performance appraisal can either have positive or negative impacts on job satisfaction. The study concluded that the performance appraisal method used has an effect on job satisfaction and job performance.

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## ABBREVIATIONS

KCB..... KENYA COMMERCIAL BANK

LTD..... LIMITED

CBK..... CENTRAL BANK OF KENYA



## **CHAPTER ONE**

### **INTRODUCTION**

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

Employees have attitudes or viewpoints about many aspects of their jobs, their careers and their organization. But from the perspective of research and practice the most focal employee attitude is job satisfaction. When evaluation our jobs which are very important to us both thinking and feelings are involved. When employees feel dissatisfied with the way their jobs are being evaluated, then it will affect their attitude towards that job and performance.

It is very important to understand the consequences of job satisfaction. It is presumed that “happy employees are productive.” One of the most important areas of work situation to influence job satisfaction, that is, the work itself is often overlooked by practitioners when addressing job satisfaction.

KCB Ltd has the widest network of banking outlets and as at September 2011 it was the largest financial services organization in East Africa. This naturally means it has a large number of employees. KCB has experienced staff leaving the organization for various reasons. It is therefore crucial that we study the effect performance appraisal has on job satisfaction as regards the employees of KCB.

##### **1.1.1 Job Satisfaction**

Locke and Lathan (1976) define job satisfaction as pleasurable or positive emotional state resulting from the appraisal of one’s job or job experience. Job satisfaction is a result of employee's perception of how well their job provides those things that are viewed as important.

It is generally recognized in the organizational behaviour field that job satisfaction is the most important and frequently studied attitude.

Luthan (1998) posited that there are three important dimensions to job satisfaction: job satisfaction is an emotional response to a job situation. As such it cannot be seen, it can only be inferred; job satisfaction is often determined by how well outcome meet or exceed expectations. For instance, if organization participants feel that they are working much harder than others in the department but are receiving fewer rewards they will probably have a negative attitudes towards the work, the boss and or coworkers. On the other hand, if they feel they are being treated very well and are being paid equitably, they are likely to have positive attitudes towards the job.

Job satisfaction causes a series of influences on various aspects of organizational life. The influence of job satisfaction on employee can be seen in increased productivity, loyalty and reduced absenteeism. The preponderance of research evidence indicates that there is no strong linkage between satisfaction and productivity (Locke and Lathan, 1976). Cole (2002) contends that job satisfaction is a frequently studied subject in work and organizational literature. This is mainly due to the fact that many experts believe that job satisfaction trends can affect labour market behaviour and influence work productivity, work effort, employee absenteeism and staff turnover. Moreover, job satisfaction is considered a strong predictor of overall individual well-being as well as a good predictor of intentions or decisions of employees to leave a job.

### **1.1.2 Performance Appraisal**

Cole (2002) argues that performance appraisal is a review and discussion of an employee's performance of assigned duties and responsibilities. The appraisal is based on results obtained by the employee on the job, not on the employee's personality characteristics. The appraisal

measures skills and accomplishments with reasonable accuracy and uniformity. It provides a way to help identify areas for performance enhancement and to help promote professional growth. It should not, however, be considered the supervisor's only communication tool. Open lines of communication throughout the year help to make effective working relationships.

Each employee is entitled to a thoughtful and careful appraisal. The success of the process depends on the supervisor's willingness to complete a constructive and objective appraisal and on the employee's willingness to respond to constructive suggestions and to work with the supervisor to reach future goals (Berman, 2005; Kent, 2007). The appraisal process begins with the establishing of performance standards, and these standards are usually articulated in such a phrase as "A full day's work". Fletcher (1994) asserts that, the expectations a manager has in terms of work performance by his or her subordinates must be unambiguous so as to clearly communicate them to the subordinates.

Berman (2005) asserts that performance appraisals are essential for career and succession planning - for individuals, crucial jobs, and for the organization as a whole. Performance appraisals are critical in staff motivation, attitude and behaviour development, communicating and aligning individual and organizational aims, and fostering positive relationships between management and staff. They also provide a formal, recorded, regular review of an individual's performance, and a plan for future development. Job performance appraisals - in whatever form they take - are therefore vital for managing the performance of people and organizations.

### **1.1.3 The Banking Industry in Kenya**

According to the Central Bank of Kenya (2012), the banking sector comprises of 43 commercial banks, 1 mortgage finance company, 6 deposit taking microfinance institutions, 5 representative offices of foreign banks, 115 foreign exchange bureaus and 2 credit reference bureaus. The sector has continued on a growth trajectory with the size of assets standing at Ksh.2.2 trillion, loans & advances at Ksh.1.3 trillion, while the deposit base is Ksh.1.7 trillion and profit before tax of Ksh.53.2 billion as at 30th June 2012. The number of the bank's customer deposit and loan accounts stand at 14,893,628 and 2,051,658 respectively.

Stress tests conducted by the Central Bank indicated that the sector remains sound and resilient. It is noteworthy that the financial sector is developing and deepening faster than the overall economy. It grew by 9.0% in 2010 and 7.8% in 2011 while the economy grew by 5.8% and 4.4% in 2010 and 2011 respectively. This has been driven by financial infrastructure that has enabled financial inclusion. The growth of micro deposit accounts (accounts with average balances of Ksh100,000 and below) has been a critical contributor to the development and deepening of the banking sector. These accounts have increased from about 2.14 million in 2005 to 14.0 million in June 2012. The number of loan accounts remains low at just over 2 million and will need to increase substantially to catalyze reduced unit costs of loans. The Central Bank continues to work with Government and the banking sector to implement reforms geared towards reducing the cost of credit to increase the number of Kenyans able to access credit (Central Bank of Kenya, 2012).

### **1.1.4 Kenya Commercial Bank (KCB) Limited**

Kenya Commercial Bank Group, also known as KCB Group, is a financial services organization. The Group's headquarters are located in Nairobi, Kenya, with subsidiaries

in Kenya, Burundi, Rwanda, South Sudan, Tanzania and Uganda(KCB, 2012).As of September 2011, KCB Group was the largest financial services organization in East Africa, with an estimated asset valuation in excess of US\$3 billion (Ksh322 billion), and shareholders' equity in excess of US\$412 million (Ksh41 billion). KCB Group has the widest network of banking outlets comprising over 222 branches and over 400 automated teller machines in Kenya, Burundi, Rwanda, South Sudan, Tanzania and Uganda. The KCB group is currently pursuing expansion plans in the Democratic Republic of the Congo, Ethiopia and Zambia (KCB, 2012).

KCB like any other organization faces challenges of job satisfaction. Cole (2002) states that some of the reasons employees may not be completely satisfied with their jobs include: conflict between co-workers; conflict with supervisors; poor pay; lack of proper equipment; lack of opportunities for promotion; having little or no say in decisions that affect you; fear of losing your job through downsizing or outsourcing

## **1.2 Research Problem**

Previous research indicates that satisfaction with appraisal feedback is positively related to job satisfaction. Studies also indicate that some organizations experience dissatisfaction with their performance appraisal procedures. This dissatisfaction may signal that performance appraisal is not fully successful as a mechanism for developing and motivating employees to achieve high levels of performance. The fundamental objective of performance appraisal is to facilitate management in carrying out administrative decisions relating to promotions, demotions, layoffs and pay increases.

Kenya Commercial Bank Limited has undergone a restructuring program that has seen mid-level and top level managers being trimmed as part of the strategy of cutting cost and consolidating posts to boost performance. This creates interest on the job satisfaction as well as performance appraisal at Kenya's largest bank by asset size.

A review of previous research on performance appraisal indicates that it has focused mostly on its impact on motivation. Most studies have also been conducted in the developed world which creates a research gap that the study would wish to fill in. In seeking to fill this gap, the researcher will ask the following questions:

- i. What is the level of job satisfaction at KCB?
- ii. What is the effect of performance appraisal at KCB?

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

The main objective of the study is to assess performance appraisal and its impact on employee performance at Kenya Commercial Bank. The researcher specifically intends:

- i. To establish the level of job satisfaction at Kenya Commercial Bank.
- ii. To determine the effect of performance appraisal on Job Satisfaction at Kenya Commercial Bank.

### **1.4 Value of the Study**

The researcher believes that the findings of this study will be of use to the management of Kenya Commercial Bank in understanding the successes and challenges of the appraisal process and its effect on staff performance. This will contribute to improvement in the staff appraisal process.

The study will also contribute knowledge to the field of staff appraisal and other academicians and future researchers may carry out further research on various aspects of the study findings. This will further the understanding of performance appraisal and job performance.

With staffing being a cardinal part of the management process, the findings of this research will contribute to better management by providing critical information on an important element of staffing which is, job satisfaction and the impact of performance appraisal.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

The appraisal system in any organization is important in enhancing effective performance through igniting employee performance and its ability to measure the extent to which performance requirements are evaluated and standards are determined. Indeed in the banking industry, the appraisal systems would improve employee performance and Bank productivity through strategic evaluation that could be used in measuring the extent to which Bank standards are maintained. Successful performance appraisal depends to some extent, on the ability of supervisors to make sound assessments and on the careful compilation of pay structure. A good scheme should result in a reduction in labour turnover and an increase in morale and output. Therefore, this chapter presents the review of literature relating to the variables under investigation.

#### 2.2 Job Satisfaction

Job satisfaction can be defined as that which gives employees the motivation to continue with the daily work or makes him actually want to go to work or gives him an urge to take up a new assignment or project. One of the factors that leads to job satisfaction is recognition and encouragement where an organization has a good evaluation system and the employee's work is recognized and then he is encouraged and motivated to continue contributing to the organization.

According to Vroom (1964), job satisfaction focuses on the role of the employee in his or her workplace hence defines job satisfaction as effective orientations on the part of individuals towards work roles which they are currently occupying.



Job satisfaction can be said to refer to the attitude and feeling people have about their work. Job dissatisfaction is characterized by negative and unfavorable attitudes towards the job and positive and favorable attitudes towards the job indicate job satisfaction. (Armstrong, 2006).

Job satisfaction should be considered as one of the main factors when looking at efficiency and effectiveness of organizations. The new managerial paradigm that insists employees are to be treated and considered as human beings who have their own needs, personal desires and wants is an excellent indicator of the importance of job satisfaction in many organization.

According to Locke and Latham (1990) job satisfaction model, achievement and success in performing tasks comes from the objectives set at the highest level and high expectations for success. Success is analyzed as a factor that creates job satisfaction.

Job satisfaction influences the organization in major ways as employee productivity, loyalty and absenteeism. The preponderance of research evidence indicates that there is no strong linkage between satisfaction and productivity. Satisfied workers will not necessarily be the highest producers. Although there are many moderating variables, the most important seems to be the rewards. If people receive rewards that they feel are equitable, they are likely to be satisfied and this may result in greater performance effort.

Recent research evidence indicates that satisfaction may not necessarily lead to an individual's performance improvement but will actually lead to departmental and organizational level improvements. There is still considerable debate whether satisfaction leads to performance or performance leads to satisfaction. (Luthans, 1998).

Employee loyalty is one of the most significant factors that Human Resource Managers must always consider as this can cause serious negative consequences when not in a high level. Three types of employee loyalty are considered: affective loyalty where an employee feels an emotional connection to the company; normative loyalty appears in cases when the employee feels like he owes something to the company and continuity loyalty which comes as a result of the fact that the employee does not have an opportunity to find a job elsewhere.

Employee absenteeism causes serious additional costs for organizations. Probably the best way to reduce employee absenteeism is to increase level of job satisfaction. When job satisfaction is high absenteeism tends to be low. It is paramount to remember that while high job satisfaction will not necessarily result in low absenteeism, low job satisfaction is likely to bring about high absenteeism.

### **2.3 Performance Appraisal**

Conducting regular performance appraisal is an important work force development strategy for organizations such as Banks. Given the challenges of working in the financial sector, performance appraisals offer a valuable opportunity to recognize and reward staff's efforts and performance, detect key barriers and facilitation to work practice and identify professional development needs and opportunities as noted by Kent (2007).

According to Victor Vroom's (1964) Expectancy Theory, an employee performs or is motivated to do so according to the expected result of the work done. Vroom concludes that people will be motivated to the extent that they can perceive links between effort, performance and rewards available. He further argues that performance is a vital component of the expectancy theory. Specifically, he is concerned with the linkage between effort and performance. That employees need to know what to expect after given

task, however it is critical for management to communicate what is expected of the employees. Furthermore, he argued that they must feel confident that if they exert an effort within their capabilities, it will result in a satisfactory performance as defined by the criteria by which they are being measured. However Vroom under-estimated the fact that employees should feel confident in the process of evaluation in that, if they perform as they are being asked, they will achieve the rewards they value. He suggests that the expected reward (financial and non-financial) will motivate or be the basis of the employee performance.

Taylor and Kalliathan (2001) in his work; "Training Programs and their effects on the performance of staff" emphasized the need for on-job training, short seminars and team building workshops as programs that increase the employee performance.

In fact according to Berman (2005), the performance appraisal process offers employees the opportunity to receive structured, constructively framed feedback about their work and growth potential. Armstrong (2006) argues that appraisal and improvement are critical to developing and maintaining a strong capable workforce. Structured performance incorporates the institutions vision and mission into the overall evaluation of the employee.

Fletcher (1994) contends that, performance appraisal systems utilize standard assessment criteria, dimensional ratings, structured rating scales and explicit individual-peer appraisal. These components help to minimize subjective impressions and conscious or intentional biases. Sophisticated technologies for performance evaluations (for example on line ratings and development plans, 360 degree feedback) are well developed and

increasingly common in both large and small institutions.

On the other hand, Roberts (2002) asserts that accurate and reliable performance appraisals help organizations to support and reward their most capable employees. When used in conjunction with performance improvement systems, a structured performance appraisal system conveys meaningful feedback in a useful format, helps refocus employees who are performing below expectation and facilitates career development plans for all employees. The performance appraisal systems increase the fairness and transparency of the evaluation process and guide individuals and supervisors towards targeted improvement strategies. They also protect both the employee and the institution from potential bias and ensure that employees receive fair and accurate feedback. However these should be tailored to suit the necessary employee aspirations as noted by the department or organization at large; something hardly existed in the above reviewed literature thus more investigations were needed in this arena.

However in respect of work habits and individual abilities, motivation levels were not put into perspective. Most Bank evaluations hardly stressed the need for defining specific individual work habits as they define how they work and their different challenges, therefore such unique variations called for further research. Cole (2002) recommended and categorized two forms of Staff assessment and that is summative and formative assessment. In summative assessment of Staff attainment of each performance criterion, Cole (2002) argues that, the evaluator rates the Staff as meeting, or not meeting division expectations. He further argues that, formative appraisals involve the process of gathering performance data, analyzing it and using the results to improve performance. Often this data is gathered through structured and at times informal classroom observations. On the other hand,

summative appraisal is the process of using performance data to make formal written judgment about the quality of teaching using the criteria for Staff performance established by the Bank.

Fletcher (1994) in his study on the effect of Staff development management system program on staff performance commended the development management system program for providing feedback to the employees in areas that needed improvement and further provided training for Staff as a way of handling the improvement and development criteria systematically.

In essence, best performance appraisals involve; integrating performance appraisal into a formal goal setting system; basing appraisals on accurate and current job descriptions; offering adequate support and assistance to staff or workers to improve performance (for example, professional development opportunities); Ensuring that appraisers have adequate knowledge and direct experience of the staff performance; and conducting appraisals on a regular basis, (Fletcher, 1994). There is need for appraisals to be taken to a higher level where both the appraisers and appraisees' take them more seriously and accord them the necessary attention all in the hope of improving the quality of work done in the organization. In addition, coherent approaches into changeable evaluation criteria needs more research hence the need for this study.

#### **2.4 Performance Appraisal and Job Satisfaction**

Related literature presented an analysis of previous research studies carried out on aspects of staff appraisal and performance with an aim to draw meaningful relation to the prevailing situations at KCB and further identify gaps for future research. Expected rewards (financial and non-

financial) should be tailored to suit the employees efforts invested in the performance therefore review assessments were not given the recognition they deserve hence the research. However, what was not considered by them was the fact that all the above should have a basis of individual focus such as suggested by the review forms. It should be put to record that most studies have undermined the importance of the employee involvement in the designing of the seminars, workshops, and any other training to such an extent that they feel part of the process.

Important to note is that Latham and Latham (2000), recommend the need to evaluate the appraisal process. In reference to their recommendations, if staff is to have positive attitude towards the appraisal system, the performance appraisal should undergo regular review and improvement. For example, focus groups or surveys could be conducted to gauge staff perceptions of the appraisal process. This confirms Roberts (2002) recommendations that; a successful performance appraisal process should demonstrate a change in both the ratings of staff performance and aspects of the work environment that impact upon work performance.

Job satisfaction represents one of the most complex areas facing today's managers and although thousands of papers and research have been conducted on job satisfaction all over the world, this has not been exhausted. Many studies have demonstrated an unusually large impact of job satisfaction on motivation of employees, while motivation level has an impact on productivity and thus on performance of many organizations.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter describes the research design, data collection methods, data collection instruments and data analysis.

#### **3.2 Research Design**

Research design provides a framework for planning and conducting a study. This study adopted a case study method. A case study is a research methodology based on in-depth investigation of a single individual, group or event (Mathoko, Mathoko & Mathoko, 2007). Case studies provide a systematic way of looking at events, collecting data, analyzing information, and reporting the results. As a result the researcher gains a sharpened understanding of why the instance happened as it did, and what might become important to look at more extensively in future research. Case studies therefore lend themselves to both generating and testing hypotheses (Mugenda & Mugenda, 1999).

#### **3.3 Data Collection**

The researcher targeted employees of Kenya Commercial Bank Limited. These were five (5) employees of the Bank at Supervisory level in different departments in the organization. Three were from the Head Office Divisions and two were from the branches based in Nairobi Region.

The researcher used an interview guide which had open-ended questions to collect the data. The researcher then interviewed the employees while collecting the data at the same time.

### **3.4 Data Analysis**

The primary data collected through use of interview guidewas edited, coded, classified, tabulated and analyzed using Microsoft Excel and Microsoft Word. Analysis was done by use of descriptive characteristics.

The analysis shows the level of job satisfaction at Kenya Commercial Bank represented by the sample size.

The analysis also shows the effect of performance appraisal at Kenya Commercial Bank.

In conclusion the analysis clearly shows the relationship between performance appraisal and job satisfaction in Kenya Commercial Bank.



## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSIONS**

#### **4.1 Introduction**

The objectives of this study were to establish the level of job satisfaction at Kenya Commercial Bank and to determine the effect of performance appraisal on Job Satisfaction at Kenya Commercial Bank. The results of the data analysis are presented as follows. First the issues related to job satisfaction, and factors that affect job satisfaction are presented. This is followed by a section on performance appraisal and the effect on job satisfaction. Finally, a discussion on the findings of the study is presented.

#### **4.2 Job satisfaction**

##### **4.2.1 Level of absenteeism and Job satisfaction**

One of the objectives of this study was to establish the level of job satisfaction at Kenya Commercial bank limited. According to Vroom (1964), job satisfaction focuses on the role of the employee in his or her workplace hence defines job satisfaction as effective orientations on the part of individuals towards work roles which they are currently occupying. According to Locke and Latham (1990) job satisfaction model, achievement and success in performing tasks comes from the objectives set at the highest level and high expectations for success. Success is analyzed as a factor that creates job satisfaction.

In order to meet the objective of this study, the respondents were asked a few questions. The first question the respondents were asked was to what extent the employees in the bank were satisfied with their job. The respondents indicated that employees in the bank were moderately satisfied with the job. They were also asked to give reasons for their answer. They gave varied reasons

such as the fact that concerns have been raised in various fora on the lack of clear career progression path and promotions in the bank. Also the reward option that the bank uses to reward employees is not the best and most employees are not satisfied with it. However some respondents expressed the fact that the cordial relationship between the management team and employees improves employee morale and ensures that they are satisfied with their jobs.

The respondents were also asked to state whether the level of absenteeism of employees actually depicts the level of job satisfaction. The respondents indicated that the level of absenteeism in the bank was low and is attributed to personal reason like sickness and other family matters. This indicates that employees do not abscond work because they are not satisfied with their jobs. However a concern was raised that a high level of absenteeism could be attributed to job dissatisfaction and low employee morale. This is consistent with results of other researchers in the same area (e.g. Luthans, 1998).

The respondents were also asked to state whether performance appraisal had any impact on job satisfaction. Respondents indicated that performance appraisal affected the level of job satisfaction both positively and negatively depending on how performance appraisal is executed. Negative impacts can be attributed to the fact that a low rating due to unmet targets irrespective of the effort can de-motivate an employee. For those employees who are rated highly, they may be motivated to perform better in their work.

#### **4.2.2 Other factors that affect job satisfaction**

The respondents were also asked to state other factors that affect the level of job satisfaction. The respondents indicated that the ability to execute their tasks despite working under pressure, the level of teamwork, the ability to remain at the workstation through out the day without

interruptions, employee turnover, job performance, career progression, high level of performance, the friendly relationship between management and other staff member and also, the rewards that are given to employees as a result of good performance are reflections of the level of job satisfaction of the employees in the bank.

The employees were also asked to indicate whether the employees under their supervision had at some point shown a negative or positive attitude towards their jobs. It was evident that some employees had shown both negative and positive attitudes. The negative attitudes were attributed to the fact that new employees come with a lot of expectations on promotions and flexible working hour but get de-motivated after their expectations are not met. Another reason is conflicting instructions from different management teams. Positive attitudes are attributed to good relationships with the management teams and the level of motivation. The factors that depict these attitudes are level of absenteeism, poor job performance, complaints and requests for transfers.

### **4.3 Performance Appraisal**

The second objective of this study was to determine the effect of performance appraisal on Job satisfaction at Kenya Commercial Bank. Given the challenges of working in the financial sector, performance appraisals offer a valuable opportunity to recognize and reward staff's efforts and performance, detect key barriers and facilitation to work practice and identify professional development needs and opportunities as noted by Kent (2007). According to Vroom's (1964) Expectancy Theory, an employee performs or is motivated to do so according to the expected result of the work done. Vroom concludes that people will be motivated to the extent that they can perceive links between effort, performance and rewards available. He further argues that performance is a vital component of the expectancy theory.

In order to meet this objective, the respondents were asked several questions. The respondents were asked to state which appraisal method the bank used to appraise its employees. The respondents stated that the bank used the balanced core card method as the main performance appraisal method. They also indicated that the bank also uses 360 degree feedback method to appraise employees. The employees were also asked to state whether the method that the bank uses has a negative or positive impact on employee performance. They indicated that the method had both negative and positive impacts. The reasons given for the positive impact were the fact that it is smart and creates objectivity in staff evaluation. The reasons for the negative impacts were the fact that it is subjective and sometimes it is used as a tool to punish employees and also reward others unfavorably. These results are in line with Roberts (2002) recommendations that; a successful performance appraisal process should demonstrate a change in both the ratings of staff performance and aspects of the work environment that impact upon work performance.

Fletcher (1994) notes that, performance appraisal systems utilize standard assessment criteria, dimensional ratings, structured rating scales and explicit individual–peer appraisal. These components help to minimize subjective impressions and conscious or intentional biases. Sophisticated technologies for performance evaluations (for example on line ratings and development plans, 360 degree feedback) are well developed and increasingly common in both large and small institutions.

The respondents were also asked to state whether the employees were confident in the reward that they received after being evaluated. They indicated that employees felt confident with the rewards that they received after performance evaluation. However some respondents indicated that not all employees were confident with the rewards. This was due to the fact that the rewards received in form of bonus and salary increments were not equitable and the gap between the

highest paid and lowest paid in terms of bonus received is very large. This leads to some employees feeling de-motivated. They also indicated that performance has improved as a result of the rewards they receive after performance appraisal.

Vroom (1964) argued that employees need to know what to expect after a given task, however it is critical for management to communicate what is expected of the employees. Furthermore, he argued that they must feel confident that if they exert an effort within their capabilities, it will result in a satisfactory performance as defined by the criteria by which they are being measured. However Vroom under-estimated the fact that employees should feel confident in the process of evaluation in that, if they perform as they are being asked, they will achieve the rewards they value. He suggests that the expected reward (financial and non-financial) will motivate or be the basis of the employee performance.

The employees were also asked to state whether the Kenya Commercial bank was using the best performance evaluation method for evaluating the employees. The respondents indicated that the balanced score card was the best method of performance appraisal. The reasons given for this are that the method is objective, easy to use, the method focuses on key result areas in line with the strategic goals of the company and also the fact that it is possible to review targets during the year depending on the performance of up to a certain period.

The respondents were also asked to indicate how often the employees are appraised and whether the duration is satisfactory. They responded that performance evaluation is done annually but with quarterly reviews. Respondents indicated that this duration was satisfactory because performance gaps can be noted early and corrective action taken to ensure achievement of set

targets. Others also said that they were appropriate because one is able to pin point the areas that require improvement before the final score is done at the year end.

In relation to duration of performance appraisal and review, Latham and Latham (2000), recommend the need to evaluate the appraisal process. In reference to their recommendations, if staff is to have positive attitude towards the appraisal system, the performance appraisal should undergo regular review and improvement. For example, focus groups or surveys could be conducted to gauge staff perceptions of the appraisal process. This confirms Roberts (2002) recommendations that; a successful performance appraisal process should demonstrate a change in both the ratings of staff performance and aspects of the work environment that impact upon work performance.

#### **4.4 Discussions of findings**

The objectives of the study were to establish the level of job satisfaction at Kenya Commercial Bank and to determine the effect of performance appraisal on Job Satisfaction at Kenya Commercial Bank. The study found that employees in the bank were moderately satisfied with the job because, the cordial relationship between the management team and employees improves employee morale and ensures that they are satisfied with their jobs. They also expressed concern over the lack of clear career progression path and promotions in the bank.

The study also found that the level of absenteeism in the bank was low and is attributed to personal reasons like sickness and other family matters and not due to the level of job satisfaction. However a concern was raised that a high level of absenteeism could be attributed to job dissatisfaction and low employee morale. This is consistent with results of other researchers in the same area (e.g. Luthans, 1998). The study also found out that there are other factors that

reflect the level of job satisfaction and these are the ability to execute their tasks despite working under pressure, the level of teamwork, the ability to remain at the workstation through out the day without interruptions, employee turnover, job performance, career progression, high level of performance, the friendly relationship between management and other staff member and also, the rewards that are given to employees as a result of good performance.

The study also found out that Kenya Commercial Bank uses the balanced score card as the main method of performance appraisal but also used another method known as the 360 degree feedback method for staff at management level. They indicated that the method used by the bank was the best method of appraisal and the reasons given are the method is objective, easy to use, the method focuses on key result areas in line with the strategic goals of the company and also the fact that it is possible to review targets during the year depending on the performance of up to a certain period.

The study also found out that some employees felt confident with the rewards that they received after performance evaluation. However some respondents indicated that not all employees were confident with the rewards. This was due to the fact that the rewards received in form of bonus and salary increments were not equitable and the gap between the highest paid and lowest paid in terms of bonus received is very large. The study also found out that that performance has improved as a result of the rewards they receive after performance appraisal. The study also found out that performance appraisal is conducted annually but with quarterly reviews and that employees are satisfied with the duration. It was found out that the duration was satisfactory because performance gaps can be noted early and corrective action taken to ensure achievement of set targets. Others also said that they were appropriate because one is able to pin point the

areas that require improvement before the final score is done at the year end. This is consistent with other studies (e.g. Roberts, 2002; Latham and Latham, 2000)



## **CHAPTER FIVE**

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

#### **5.1 Introduction**

This chapter presents the summary, conclusions and recommendations of the study. The chapter is presented as follows. First, a summary of the study is presented; then, the conclusions of the study are presented. This is followed by the recommendation for policy and practice, then the limitations of the study. Finally, suggestions for further research are presented.

#### **5.2 Summary of the study**

The study sought to achieve the following two specific objectives: to establish the level of job satisfaction at Kenya Commercial Bank and to determine the effect of performance appraisal on Job Satisfaction at Kenya Commercial Bank.

A theoretical review on job satisfaction was carried out followed by a review on performance appraisal methods. Finally, an empirical review on performance appraisal and job satisfaction was carried out.

The study was a case study design on the Kenya Commercial Bank. The population of the study was all the employees of the bank. The researcher sampled out 5 employees of the Bank at Supervisory level in different departments in the organization. Three were from the Head Office Divisions and two were from the branches based in Nairobi Region. Primary data was collected using an interview guide. The primary data collected through use of interview guidewas edited, coded, classified, tabulated and analyzed using the statistical package for social sciences (SPSS). Other packages used were Microsoft Excel and Microsoft Word. Analysis was done by use of descriptive statistics.

The study found out that the performance appraisal method used can have both a positive and a negative impact on employee performance. The study also found out that there are other factors that reflect the level of job satisfaction and these are; staff turnover, job rotation, career development, time management, job performance and teamwork. Finally the study found that performance appraisal can either have positive or negative impacts on job satisfaction.

### **5.3 Conclusions of the study**

The study concludes that level of absenteeism does not necessarily reflect the level of job satisfaction. This is because the level of absenteeism is due to personal factors like sickness and other family commitments and not due to the level of job satisfaction of the employee. The study also concludes that there are other factors that reflect the level of job satisfaction and these are staff turnover, job rotation, career development, time management, job performance and teamwork. However, other studies (e.g. Luthans, 1998) have found that Job satisfaction influences the organization in major ways as employee productivity, loyalty and absenteeism. The preponderance of research evidence indicates that there is no strong linkage between satisfaction and productivity. Satisfied workers will not necessarily be the highest producers. Although there are many moderating variables, the most important seems to be the rewards. If people receive rewards that they feel are equitable, they are likely to be satisfied and this may result in greater performance effort.

The study also concludes that the method of performance appraisal used by the bank (Balanced Score card) and the 360 degree feedback have an effect on employee motivation and general job satisfaction. This is because performance has improved as a result of the reward employees receive after performance appraisal. Many studies have demonstrated an unusually large impact

of job satisfaction on motivation of employees, while motivation level has an impact on productivity and thus on performance of many organizations.

#### **5.4 Recommendations for policy and practice**

The study recommends that organizations should use multiple performance appraisal methods to evaluate their employees in order not to disadvantage some employees. The study also recommends that the performance appraisal should undergo regular review and improvement. For example, focus groups or surveys could be conducted to gauge staff perceptions of the appraisal process. The study also recommends that there be employee involvement in the designing of the seminars, workshops, and any other training to such an extent that they feel part of the process of performance appraisal.

The study also recommends that before an organization chooses a performance appraisal it should evaluate the effects that the method will have on the employees in terms of job satisfaction, motivation and job performance. This is because satisfaction may not necessarily lead to an individual's performance improvement but will actually lead to departmental and organizational level improvements.

#### **5.5 Limitations of the study**

This study was a case study on the Kenya Commercial Bank and therefore the results may not be generalized for the whole banking industry. This is because the views expressed by the respondents may only relate to Kenya Commercial bank. This is also because other banking institutions may be using other performance appraisal methods.

The study only used interview guide to collect data and this may have resulted in the omission of some relevant data. This is because the interview guide only expresses the personal opinions of

the respondents and not the view of the organization as a whole. Therefore this information could be biased either on the positive or the negative side.

## **5.6 Suggestions for further research**

The study recommends that more research be carried out on the topic on an industry wide scale. An industry wide study will give a general view on the performance appraisal methods used by all the banks and facilitate comparison amongst the banks. This will help banks that are using unfavorable performance appraisal methods to adopt new methods that are beneficial to the bank and to the employee.

The study also recommends that more research should also cover other performance appraisal methods. This will help in identifying which methods are the best to use. The study also recommends that future studies should use secondary data from the banks, for example past performance records of employees in order to get the real picture on the effects of the performance appraisal method used. The study should seek to investigate how to ensure that the performance appraisal method has positive effects on employee satisfaction and performance. The study will be important because it will enable organizations to identify the best performance appraisal methods to use.

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## **APPENDICES**

### **Appendix 1: Letter of Introduction**

Dear Respondent,

I am an MBA student at the School of Business, University of Nairobi. I'm currently undertaking my research project entitled "The effects of performance appraisal on job satisfaction at Kenya Commercial Bank". The attached interview guide is for gathering data, which will be useful in the mentioned research.

You have been selected as one of the respondents in this study. I therefore request you to kindly facilitate the collection of the required data by answering the interview questions herein.

Please note that the information sought is purely for academic purposes and will be treated with utmost confidentiality.

I look forward to your co-operation.

Yours faithfully,

**Appendix 2: Interview Guide**

1. What is the method of performance appraisal in Kenya Commercial Bank? Any other?

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2. Does the method have a positive or negative impact on employee performance? Why?

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3. Do employees feel confident in the reward received by them after being evaluating? Has performance greatly improved as a result of the rewards they receive?

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4. Would you say Kenya Commercial Bank is using the best method of evaluating employees? Reasons for the method being considered the best.

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5. How often are the employees appraised? What is the interval? Do you consider this satisfactory or not satisfactory? Briefly comment.

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6. What is the level of absenteeism of the employees in your division? Explain whether high or low?

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7. To what extent are employees in your bank satisfied - Satisfied, Moderately Satisfied, Not satisfied? How do you know that they are satisfied?

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8. Would you say the level of absenteeism actually depicts the level of job satisfaction for your employees? Comment briefly.

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9. What other factors reflect the level of satisfaction at Kenya Commercial Bank?

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10. Have employees under your supervision shown any negative or positive attitudes towards their job? What factors depict negative or positive attitude and why do you think they display these attitudes?

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11. Does the performance appraisal in your bank have any impact on job satisfaction in the bank? Would you say the impact is negative or positive? Explain briefly. Why do you think it has that kind of effect on the employees?

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