

**' A SURVEY OF THE RELATIONSHIP BETWEEN
PERFORMANCE APPRAISAL PRACTICES,
MOTIVATION AND JOB SATISFACTION OF
EMPLOYEES OF COMMERCIAL BANKS IN NAIROBI**

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FOR THE AWARD OF THE DEGREE OF MASTER OF
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DECLARATION

This Management Research Project is my original work and has not been submitted for award of a degree in the University of Nairobi or any other University

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Date 25/10/07

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This management Project has been submitted for examination with my approval as the University Supervisor

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DEDICATION

To my late twins whose demise significantly marked a turning point in life. They were my source of inspiration. To God Almighty I give all

GLORY!

ACKNOWLEDGMENTS

I am greatly honored to give thanks to the **Lord Almighty** for my wonderful family- Spouse *Dismus*, daughter *Yve* and Son *Elvis*. This team gave me unwavering love, cooperation and endured long hours of my absence. Special thanks go to Dismus for his financial support that enabled me to pursue this Degree. My special gratitude goes to *Prof, Peter K'obonyo, Mr. George Omondi* and *Dr. Ogutu* whose able guidance, contributions and incisive critique challenged me into the successful completion of this academic research..

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Finally to my parents *Graca* and *Clemm* for their endless prayers, and to all whom I did not list but contributed to the achievement of this goal. May the Good Lord reward you **ALL ABUNDANTLY!**

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ABSTRACT

This study was a survey whose objectives were to establish the relationship between performance appraisal practices, motivation and job satisfaction of employees of commercial Banks in Nairobi. The population of study comprised of all the 42 commercial banks in Kenya. The sample size was 21 commercial banks in Nairobi. A structured questionnaire was used to collect data. Mail system of questionnaire administration was used. Descriptive statistics such as mean scores, frequencies, standard deviations, and percentages were used in the analysis of data. Pearson's correlation coefficient was used to test the significance of the relationship between appraisal practices, job satisfaction and motivation.

The study found that 50% of the banks carry out appraisal once annually and 42.9% carry out appraisal twice annually. The key factor considered while conducting appraisal was level of performance and it was found that banks use a combination of appraisal techniques without over reliance on one single technique. Rating which is an appraisal technique was found to be popular among 46.4% of the sampled banks. The study established that appraisal influences motivation to a small extent ($x = 2.1$) and employee working relationships to a moderate extent ($x = 2.6$). Appraisal was also found to have influence on voluntary overtime to a moderate extent ($x = 2.6$) and happiness at the place of work to a moderate extent ($x = 2.7$). The study revealed that performance appraisal directly influences employee happiness and subsequently job satisfaction. It emerged

from analysis of data that there exists a positive correlation between appraisal and job satisfaction whereas a negative correlation between appraisal and motivation.

It was recommended that employers involve employees as much as possible and at every stage of the appraisal process so that the outcome of appraisal contributes to job satisfaction. Employers should explore ways of managing and reducing post appraisal dissatisfaction. The study further recommends future research to investigate the link between performance contract and employee motivation.

CHAPTER ONE

INTRODUCTION

1.1 Background

The primary development goal for any country is to achieve broad based, sustainable improvement in the standards of the quality of life for its citizens. The financial service industry and in particular commercial banks play an indispensable role in the effective delivery of services that are key to the functioning of a state economy, y/hen the delivery of services is constrained or becomes ineffective, it affects the quality of life of the people and the nation's development process. Banks like other private sector organizations have increasingly acknowledged economic realities, become market - led, consumer responsive and focus on providing value for money. Human resources are the special input in product development and service delivery in the banking industry. Banks employ many people to enable them deliver value in return for money paid by customers.

Human resource management seeks to maximize organizational performance through the adoption of best practice in the management of people (McKenna and Beech, 2002). Of all the activities in Human resource management, performance appraisal is arguably the most contentious and least popular among those who are involved. Managers do not appear to like doing it, personnel and human resource managers as guardians of the organization's appraisal policy and procedures have to standby and watch their work fall into disrepute (Bratton and Gold, 1999,-p. 214). Problems of appraisal have bedeviled personnel managers and industrial and organizational psychologists for the better part of the century, and it is widely agreed that performance measurement has been one of the most serious and persistent difficulties in industrial psychological research (Blunt and Popoola, 1990).

The difficulties associated with performance appraisal become more acute as one proceeds up the organization hierarchy and the work which people do becomes more complicated, and less tangible and observable. The crux of a program of action is the allocation of resources, and especially the staffing decisions. Until they have been made

and put in effect, nothing has really been done (Drucker, 2002). Organizations rely on their resources to achieve certain objectives. Drucker (2002) observes that knowledge - people, working capital, and operating expenses such as promotion money are also the only resources of a business that can be shifted from one job to another within reasonable time. They are essentially manageable resources. The liberalization of world economies has subjected many firms to competitive pressure. Under such competitive environment, firms can only succeed by delivering superior products and services than their competitors. Human resources forms the unique and most important asset used by many organizations to succeed and entrench their position in the market. Firms strive to attract, hire and retain competent employees to enable them achieve their objectives.

Many changes have taken place in the field of human resource management over the years. One such change is human resources planning. Planning involves two major service functions (Heneman *et al*, 1983). It first seeks to forecast the numbers and types of employees that will be needed on each job in some future time period. Second, armed with forecasting results, plans may be developed for coping with the results through a series of coordinated activities. With increased human resources budget, most organizations have pursued changes such as outsourcing, downsizing, and multitasking.

Outsourcing has been used by many firms particularly small and medium enterprises to keep their labor budgets low. Downsizing/ right - sizing refers to the reduction in the number of hierarchical levels. Even large organizations, it is argued can no longer guarantee an individual employment for life, but it can help to improve his or her employability in the labor market more generally (Keith, 1996). Human resources requirements have changed from over specialization to multi-tasking. Firms engage employees with the hope that they will be capable and willing to perform more than one task while simultaneously contributing to cost reductions.

Appraisal of employees is a key requirement for management decision-making and human resources strategy development, implementation and control. It is against this background that the proposed is based.

1.1.1 Performance appraisal

Employee or staff appraisal can be defined as the process whereby current performance in a job is observed and discussed for the purpose of adding to that level of performance (Keith, 1996). It refers to the comparison of actual performance against targets set for the employee or against expected employee output. Performance appraisal represents a central function of human resource management and has remained an important topic of investigation among organizational researchers. Performance management incorporates the review of past performance and the setting of objectives for the future (McKenna and Beech, 2002). Managers in many organizations believe that most significant personnel/human resource outcome involves the contributions employees make to the organization's goals (Heneman *et al*, 1983). These contributions are called employee performance, meaning how effectively an employee carries out job responsibilities. An appraisal of the employee is necessary at the time of his employment.

Organizations give employees job description showing in detail what will be required of him/ her during the employee's tenure at the place of work. The work of appraisal begins with setting targets to be met by the employee and it is against these targets that actual performance is measured during evaluations. Nzube and Singh (1992) argue that appraisal of employees on a continuing basis during the working life of the employee is very desirable and useful. Performing annual employee appraisals can often be one of the most challenging functions a manager may have. Various approaches to appraisal can be adopted and the choice of system will reflect the style and culture of the organization. The long standing performance appraisal dilemma of how to reconcile organizational concerns for control and compliance on the one hand with employee expectations of professional development and personal aspirations on the other is recognized by many writers on performance appraisal (Hendry *et al.*, 2000). In the banking institutions, appraisal is done annually at the end of the year and usually done by the immediate supervisor. However, appraisal for the bank's marketing staff is done monthly by the immediate supervisor. Sources of information for appraisal include internal records and the employee himself through an interview process.

Traditionally, performance assessment has been associated with pay raises, promotions, and dismissals. Appraisal is one of the most important functions of human resource managers. Employee appraisals can be seen as the formal process for collecting information from and about the staff of an organization for decision-making purposes.

Contemporary performance management systems and prescriptive literature in performance management emphasize the 'control' aspect of appraisal by specifying and measuring the individual employee's contribution to the organization as a whole (e.g. Armstrong and Baron, 2000; McAfee and Champagne, 1993). Writers in the employee relations field claim performance appraisal can be a mechanism by which previous collective bargaining issues such as pay and conditions are instead made the process of individual negotiation between individual employees and their line managers.

A study by Atandi (2003) found that majority of employees have both good knowledge and awareness of theory and working performance but they were not involved in the initial discussion that led to the implementation of performance programme. The study also revealed that implementation of performance management programme has been affected by perceived poor management practices. Murage (2005) concludes that human resource management practices are significantly related with performance.

Performance appraisal can be very useful. A regular review of each individual's performance provides information about the competence and aspirations of workforce which is essential for planning (Hackett, 1998). The system can also encourage commitment to corporate goals and conformity with work group norms. Performance appraisal can serve a wide range of specific uses for the individual and the manager. These include identifying training needs, identifying key skills, improving present performance, improving communications, enhancing commitment, identifying potential, disciplinary documentation and determining pay (Hackett, 1998). Appraisal of employee's performance is also done to aid decisions pertaining to pay raise, promotion, and dismissal.

1.1.2 Performance appraisal practices

Performance appraisal practices refer to approaches used by employers to evaluate employees' output over a specified period of time. Worldwide, performance appraisals are used in nearly all organizations. Corporations use different tools and have a number of goals for performance appraisal systems. However, at its core the performance appraisal process allows an organization to measure and evaluate an individual employee's behavior and accomplishments over a specified period of time (Wiese and Buckley, 1998). As organizations evolve and become large with professional management, a more formal performance appraisal system serves as an asset in administrative decision-making. Regardless of the system in place, decisions must be made regarding issues such as training needs, counseling, performance improvement initiatives, who receives pay raises and promotions and who is terminated. These decisions are aided by a process that monitors and evaluates an employee's progress and allows for intra - organizational comparisons of individual performance. Performance appraisal practices may differ from one organization to another. What is not known is whether different appraisal practices have different effects on employee outcomes such as job satisfaction.

1.1.3 Job satisfaction

Job satisfaction has been defined as a positive emotional state resulting from the pleasure a worker derives from the job (Locke, 1976; Spector, 1997) and as the effective and cognitive attitudes held by an employee about various aspects of their work. Job satisfaction is one criterion for establishing the health of an organization. Rendering effective services largely depends on the human resource, and job satisfaction experienced by employees will affect the quality of services they provide. Situational theories assume that the interaction of variables such as task characteristics, organizational characteristics and individual characteristics influence job satisfaction (Hoy and Miskel, 1996). The individual evaluates the situational characteristics before commencement of employment whereas situational occurrences are evaluated afterwards.
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Organizations strive to improve satisfaction of their employees because employee satisfaction influences degree of success by the firm and the overall competitiveness in

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the industry. To motivate employees to work harder, organizations develop reward programs, promotions and staff training programs, which are products of performance appraisal. When implemented carefully, these programs play a role in improving employee satisfaction.

1.1.4 Motivation

The hierarchy of needs, first formulated in 1943, is an attempt to explain motivation as a series of ascending urges (Hackett, 1996). Motivation refers to the forces within a person that affects his or her direction, intensity, and persistence of voluntary behavior (McShane *et al*, 2006). Motivated employees are willing to exert a particular level of effort (intensity), for a certain amount of time (persistence), toward a particular goal (direction). McShane *et al*, (2006) further argues that even when people have clear work objectives, the right skills, and a supportive work environment, they must have sufficient motivation to achieve work objectives. Motivation influences both employee satisfaction and performance at the work place. While an urge or need remains unsatisfied, it acts as a motivator, but once it has been satisfied, according to Maslow, it ceases to motivate and the next higher need in the pyramid comes into play. The two - factor theory, devised in 1959, is perhaps the best known of many theories of motivation. From his research among American accountants and engineers, Herzberg concluded that there are two sets of forces at work on the individual. One set he termed hygiene factors, the other motivators. The hygiene factors include such things as pay, fringe benefits, working conditions and quality of supervision. If there is something wrong with any of these, it will be a source of dissatisfaction to the individual and should be rectified. But, however much attention is paid to getting them right, they can never provide a source of motivation. Only the motivator factors such as recognition, advancement or of personal growth and fulfillment in the job can do that (Hackett, 1996).

1.1.5 The Kenyan Banking Sector

The banking institutions in Kenya are segmented into three main categories comprising foreign banks, state owned commercial banks where the Government has a bigger percentage of its equity, and the third category includes the private owned commercial

banks (Oluoch, 2006). Banks in Kenya have undergone both expansion and reduction of their branch networks within the country. This cycle of expansion and contraction of branch networks have been influenced by changes in the macro environment and specifically changes in the economic environment. The number of financial institutions declined from 49 in December 2004 to 45 in December 2005 due to mergers and closures (CBS, 2006). Improved economic performance has influenced expansion programmes of leading banks by opening additional branches, introducing new products and employing increased number of workers. Due to stiff competition in the financial industry, banks carry out performance appraisal for purposes of improving staff performance and reducing unnecessary staff costs. Evaluation of bank staff is more stringent among the marketing staff usually employed on commission terms and strictly evaluated against set sales targets.

Critical comments about performance appraisal are not new. Perspectives on appraisal has described it as unnecessary (Deming, 1986), as counter - productive, (Scholtes, 1999), as failing to deliver what it promises (Grint, 1987), or as all seeing 'surveillance technique' for reasserting management control over those working in the flatter and more flexible structures of contemporary organizations (Townley, 1990, 1992). These observations are likely to hold in performance appraisal in the Kenyan banking industry, the literature appears to be supporting the notion that performance appraisal affects job satisfaction, motivation, commitment, and to some extent, competence. These outcomes, in turn, influence employee performance. Thus, the influence of performance appraisal on employee performance or productivity is indirect.

1.2 Research Problem

Performance of the banking industry is a major driving force for economic growth of a developing country such as Kenya. Organizations exist to conduct business and achieve stated objectives. The contribution of human resources to attaining these objectives cannot be underscored.' Commercial banks in Kenya employ large numbers of people to facilitate service delivery, increase performance, and improve the bank's competitive position in the market. Different banks use different methods of performance appraisal to

make administrative decisions about employees and to let employees know how they stand relative to performance objectives and expectations of the organization (Heneman, 1983).

Performance appraisal is an important HR function that can be used to influence both extrinsic and intrinsic motivation of employees and their attitudes towards the employer and subsequently their job satisfaction (Shen, 2004). As presented in section 1.1.3 above, employees' performance at the place of work is influenced by the level of their job satisfaction. The outcome of appraisal and its subsequent impact on employee job satisfaction may affect staff motivation, as well as drive and organizational commitment. Employee's dissatisfaction may lead to a go - slow or high staff turnover while satisfaction among employees may increase their morale, raise productivity, and enhance organization's competitive position in the market.

A study by Simmons (2002) on appraisal in Universities in the UK found that traditional forms of appraisals are less appropriate for knowledge-based organizations. This implies that appraisal practices may be sector specific. Furthermore, the study was carried in a different set up and environment, which cannot be generalized in the Kenyan banking industry. Study by Mzenge (1983); Osewe (1998); Agala (2002); Mungumi (2002); Atandi (2003); Kiarie (2004); Murage (2005); Langat (2006); and Korir (2006) were based on training and development, strategic human resource practices and appraisal methods without paying attention to the relationship between performance appraisal practices, job satisfaction, and motivation. Importance of performance appraisal is premised on the fact that it influences organizational and employee outcomes. It is this and the fact that the researcher found no study on the link between appraisal practices and employees' outcomes that provided the motivation for the study. The study aims at answering the question: What is the relationship between performance appraisal practices and job satisfaction of employees of commercial banks in Nairobi? What is the link between performance appraisal practices and motivation of employees of commercial banks in Nairobi?

1.3 Research objectives

- i. To establish the relationship between performance appraisal practices and job satisfaction of employees of commercial banks in Nairobi
- ii. To determine the link between performance appraisal practices and motivation of employees of commercial banks in Nairobi.

1.4 Importance of Study

This study will benefit the following groups:

- i. Banks will benefit from the study by understanding how their appraisal practices affect satisfaction of employees at the place of work. This understanding will assist management in developing more participatory appraisal practices to improve employee job satisfaction.
- ii. The workers will benefit by giving their views, which may be incorporated by banks in future appraisals. Knowledge of workers' views about performance appraisal will help in management of appraisal process and reduce bias on the part of those in charge of conducting appraisals.
- iii. Researchers will gain from the study findings and increased literature in the field of employee satisfaction in banks. The study findings will provide motivation for conducting similar studies in other industries other than the financial sub - sector.
- iv. Government labor officers will also gain from the findings of the study which will further enhance their skills in handling labor disputes. The officers will understand likely factors which may have led to industrial unrest such as strikes, lockouts, and go- slows. They will also be better placed in providing sustainable solutions to industrial disputes.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Performance management provides a framework for managing both the performance and the development of an individual, with the overall aim of improving bottom line business results. It is a means in which an organization can enhance higher rewards (Atandi, 2003). Performance assessments not only provides information to support other human resource activities, but it also provides a communication channel between employees and the organization helping to clarify what each expects from the other (Milkorich and Boudeau, 1988). Performance information is valuable to the extent that its results improve decisions, that the improvements are valuable to the organization, and that the process of gathering the information is efficient and costs no more than the value of the information provided.

Performance evaluation helps meet the needs of employees and employers in various ways. It gives employees the opportunity to indicate the direction and level of their ambition, while at the same time gives managers the opportunity to indicate interest in employees' development. This interest can help retain ambitious, capable employees instead of losing them to competitors. Performance appraisal identifies areas where specific training is needed or desired and provides encouragement to the employee who has been trying to perform well. It also provides a means for communicating and documenting dissatisfaction with unacceptable employee performance and efforts to improve it. Study by Bultia (2006) shows a strong correlation between supervision styles and job satisfaction. It also found that most employees of commercial banks are..satisfied and have a lot of support from their line managers regarding their work.

2.2 Performance agreements

Performance agreements cover objectives and standards of performance measures and indicators, competency assessment, core value and/ or operational requirements. An objective describes something that has to be accomplished. Objectives or goals define what organizations, functions, departments, teams and individuals are expected to achieve

(Armstrong, 1994). In order to perform the job successfully, employees need to know what they need to do. For example, in the banking industry, jobs must be clearly defined, worker assigned specific tasks and performance targets against which evaluation will be done set.

Performance standards can be defined as a statement of the conditions that exist when a job is being performed effectively. Performance measures should be agreed when setting objectives. Armstrong (1999) suggests that measures should relate to results, should be objective, data should be available for measurement and the results should be within the jobholders control. Competence analysis is concerned with functional analysis to determine work - based competence and behavioral analysis to establish the behavioral dimensions that affect job performance (Armstrong, 1999).

2.3 Managing performance

Armstrong (1994) points out that one of the most important aspects of performance management is that it is a continuous process, which reflects normal good management practices of direction setting, monitoring and measuring performance and taking action accordingly. Performance management is the process of using performance measurement information such as performance goals, objectives, measures, measurements, output, and outcome evaluations, to effect positive organizational changes. The changes will involve organizational culture, systems and processes (Gekonge, 2005). The change process will also involve setting agreed upon performance goals and objectives, allocating and prioritizing resources, informing managers to either confirm or change current strategy, policy and program direction to meet organizational goals and objectives and sharing the results of performance in pursuing those goals and objectives in the future. From the onset, strategic and effective performance management will require a high degree of managerial clarity and full understanding of the following critical elements of performance management (Gekonge, 2005).

Performance goal is a general target level of activity expressed as a tangible measure against which actual be compared. Banks usually set performance goals in their human

resource strategic plans. Performance objective is a critical success factor in achieving the organization's vision, mission and strategy, which if not achieved would certainly result in a significant decrease in customer satisfaction, in system performance, in employee morale and in financial performance. Commercial banks set realistic, measurable, challenging and motivating human resource objectives aimed at improving their performance and strengthening their position in the competitive financial market. Performance measurement is a process of assessing progress towards achieving predetermined goals and objectives. It includes information on the efficiency with which resources are transformed into goods and services (outcomes), the quality of those goods and services (how well they are delivered to customers and the extent to which customers are satisfied), and outcomes (the results of the program activity compared to its intended purpose), and the effectiveness of the company operations, in terms of their specific contribution to creating a sustainable and increasing value for the stakeholders.

Performance management is the use of performance measurement information to effect positive change in organizational strategy, culture, systems and processes. It is also the use of the measurement information in helping to set agreed upon performance goals and objectives, allocating and prioritizing resources, informing managers to either confirm or change current policy or program direction to meet those goals and objectives, and sharing results of performance in pursuing those goals and objectives. Output measure is a calculation or recording of an activity or effort that can be expressed in quantitative or qualitative manner. Outcome measure is an expression or assessment of the results of a program with its intended purpose. Banks usually appraise staff based on expected output compared to targets set for each individual. No conclusive link has been found by research between appraisal and employee performance.

Many experts feel that traditional appraisals don't improve performance and may actually backfire (Dessler, 2003). They argue that most performance appraisal systems neither motivate nor guide their development. Furthermore, they cause conflict between supervisors and subordinates and lead to dysfunctional behaviors. The traits measured are often personal in nature. Researchers in Korea found that even when employees were

allowed to participate in the review discussion and goals were clearly set and career issues discussed, few of the reviews had a positive impact on the employee's subsequent job performance (Dessler, 2003).

2.4 Performance appraisal

Cardy and Dobbins (1994) define performance appraisal as the process of identifying, observing, measuring and developing human resources in organizations. Performance appraisal is an important process for influencing both extrinsic and intrinsic motivations of employees and their attitudes towards companies, that is, increasing employees' perceptions and understanding of job tasks and subsequently their job satisfaction. A performance appraisal is also important to employees in material terms (Logger and Vinke, 1995) and it guides managerial career development, future promotion decisions and compensation adjustments (Schuler *et al*, 2002).

Traditionally, organizations have used performance assessment primarily to make administrative decisions about employees. Questions pertaining to promotion of an employee, choosing employees for lay off or transfer, and salary increase recommendations are examples of such administrative decisions (Heneman *et al*, 1983). The use of performance assessments for administrative purposes helps place employees in positions where their abilities can be best used and can be helpful in assigning employees to appropriate future positions. A more recently emphasized purpose of performance assessment is to let employees know how they stand relative to performance objectives and expectations of the organization. The manager uses the results of performance to provide feedback to the employee.

By providing concrete evidence of performance levels, feedback may serve to strengthen employee instrumentality perceptions for certain types of rewards. Accurate feedback can provide information about the job activities performed acceptably and about activities that need to be performed better. There is general agreement that it is extremely difficult to assess the performance of first line supervisors (Popoola, 1990). Blunt and Popoola (1990) argue that although lower level jobs are generally easier to appraise, we should be alive to the possibility that what might appear at first sight to be a comparatively simple,

and therefore easily appraised job, could on closer inspection pose complicated assessment problems.

For both the purposes of creating and cultivating a culture of inclusion, performance evaluation can be a valuable tool because if applied appropriately, it can be a means to stimulate dialogue between employees and their supervisors to foster lifelong learning, and to encourage and motivate people to show inclusive behavior (Oluoch, 2006). However, this presupposes that performance is not simply evaluated based on pure output (what people achieve) but in equal terms on evaluation of their behavior (how people achieve results). The results of performance appraisal always remain confidential because management feels reluctant to pass on any negative information to appraisees so that direct confrontation is avoided and 'face' can be saved (Shen, 2004).

2.5 Performance appraisal practices

Organizations use varied appraisal practices for different reasons. It is possible that some employees and line managers may meet performance appraisal schemes with distrust, suspicion and fear, but an integrated and effective process can lead to increased organizational performance and employee motivation (Beardwell *et al.*, 2004). Performance appraisal is done periodically based on the organization's HR policies. The frequency of appraisal may depend on the nature of the job. Sales jobs that consume a lot of resources are frequently evaluated against the related revenues. Organizations carry out performance appraisal annually, bi - annually, quarterly, and in other cases monthly.

Various approaches to performance appraisal include 360° feedback, balance scorecard, and bench marking. The 360 - degree feedback is defined as 'The systematic collection and feedback of performance data on an individual or group derived from a number of the stakeholders in their performance' (Ward, 2006). According to Yukl and Lepsinger (1995), feedback from multiple sources or '360° feedback' is a performance appraisal approach that relies on the input of an employee's superiors, colleagues, subordinates, sometimes customers, suppliers and/ or spouses. Jones and Bearley (1996) refer to 360-degree feedback as the practice of gathering and processing multi - rater assessments on individuals and feeding back the results to the recipients. The technique measures in

detail the behaviors and competencies shown by the individual or group in achieving goals. Participants can be confidentially assessed by themselves, their boss, their staff, team members, internal/ external customers, suppliers, family and friends. Raters or respondents judge what they perceive as behavior, not the intentions behind it. Common terms used to refer to 360-degree feedback include Stakeholder appraisal, Multi - rater feedback, Multi - source assessment, Subordinate and peer appraisal, Group performance appraisal, Multipoint assessment, and Multi - perspective ratings. The technique presents feedback in a powerful way, and can impact on the quantity and quality of performance data, communications, staff motivation, and the roles of those involved. 360 - degree feedback is not a quick process. There are important stages after feedback has been collected and reported on which are essential for changing behavior. Handy *et al.* (1996) suggest that some organizations use an extended version of the 360 - degree feedback process which is termed '540 - degree feedback', because suppliers and external customers are included with the other raters. However, it is acceptable to use the term 360 - degree feedback or multi - source feedback even if the process does include suppliers and customers as raters.

Multi - source appraisal became popular in organizations in the 1980s and at that time was mostly used as an executive development tool (Coates, 1998). Upward appraisal and peer appraisal did receive some attention in the 1970s and early 1980s but it was not until the 1990s that 360 - degree feedback *per .vg* gained currency. Commentators propose that the use of 360-degree feedback brings many advantages to the adopting organization. Some commentators merely propose advantages but, others have conducted empirical studies to support their propositions and hypotheses. It is widely accepted that multi - source appraisal enhances two - way communication in the host organization (London and Beatty, 1993). They argue that 360 - degree feedback can build more effective work relationships, increase opportunities for employee involvement, uncover and resolve conflict and demonstrate respect for employee opinions on the part of top management. Garavan *et al.* (1997) highlight some other organizational and individual benefits of the 360 - degree feedback process. Organizational benefits include employee involvement and better working relationships within the organization. The use of 360 - degree

feedback instruments provides peers/ co - workers with the opportunity to praise or criticize their colleagues anonymously.

There are numerous definitions of benchmarking, but essentially it involves learning, sharing information and adopting best practices to bring about step changes in performance (Yasin, 2002). Watson (1993) defines benchmarking as "a continuous search for, and application of significantly better practices that lead to superior competitive performance". It is an essential focus on internal activities, functions or operations in order to achieve continuous improvement (McNair and Leibfried, 1992). It can also be defined as a process of improving performance by continuously identifying and understanding, and adapting outstanding practices and processes found inside and outside the organization and implementing the results (Ogollah, 2006). In general, benchmarking can be defined as improving by learning from others. Banks may also benchmark their appraisal methods against leading competitors.

The balance scorecard introduced by Kaplan and Norton in 1992, is a concept for measuring a company's activities in terms of its vision and strategies to give management a comprehensive view of the performance of a business. The key new element is focusing not only on financial outcomes but also on the future and act on their long-term best interest (Lynette, 2005). The strategic management system forces managers to focus on the important performance matrices that drive success. It balances financial perspective with customer, process and employee perspectives.

Balance scorecard is simply a concise report featuring a set of measures that relate to the performance of an organization. By associating each measure with one or more expected values, managers of the organization can be alerted when organizational performance is failing to meet their expectations. The challenge with balanced scorecard is the difficulty of deciding which measures to choose. The use of balanced scorecard has increasingly gained popularity and banks use it in both strategy implementation and appraisal of staff.

Best value was introduced in 2000 with the stated aim of encouraging a programme of continuous quality improvement through a five year audit. Best value approach possess the characteristics of all linear approach to performance management, in that it identifies standards, uses these to measure and evaluate performance and finally sets specific targets as organizational priorities in a subsequent improvement plan (Harris, 2005). In theory, it has the potential to establish organizational priorities and develop supportive human resources policies through process of internal consultation involving the senior executive, the human resource function, line management, employees and recognized trade unions. Since it is very inclusive, it has the ability of increasing employee satisfaction. Best value is essentially a measurement system that evaluates outcomes against benchmarks of best practice to identify the standard for future measurement (Harris, 2001).

Performance appraisal can be very useful. A regular review of each individual's performance provides information about the competence and aspirations of the workforce, which is essential for planning (Hackett, 1998). In addition, performance appraisal can serve a wide range of specific uses for the individual and the manager. It can be used in identifying training needs. Unless some mechanism is devised for reviewing an employee's level of competence in his job, any areas of shortfall in that competence may be difficult to identify (Hackett, 1998). Appraisal is also very useful in identifying key skills. Appraisal interview provides an opportunity to identify the mismatch between competence and the requirements of the job. Performance appraisal is useful in improving present performance. Appraisal interview provides an opportunity for discovering barriers to effective performance and considering how they can be removed (Beardwell, 2004). In addition, appraisal improves communication by forcing constructive dialogue between the manager and employees and provides a chance for employers to see things in perspective, and plan together with employees. Performance appraisal is also used in enhancing employee commitment, identifying potential, disciplinary documentation, and determining pay.

2.6 Performance Appraisal Practices and Motivation

Motivation is an important contribution to employee satisfaction, which in turn influences productivity. Herzberg *et al.* (1959) proposed that an employee's motivation to work is best understood when the respective attitude of that employee is understood. That is, the internal concept of attitude, which originates from a state of mind, when probed, should reveal the most pragmatic information for managers with regard to the motivation of workers. As a result of his inquiry about the attitudes of employees, Herzberg *et al.* (1959) developed two distinct lists of factors. One set of factors caused happy feelings or a good attitude within the worker, and these factors on the whole, were task related. The other grouping was primarily present when feelings of unhappiness or bad attitude were evident, and these factors, Herzberg claimed, were not directly related to the job itself, but to the conditions that surrounded doing that job. The first group he called motivators (job factors) include recognition, achievement, possibility of growth, advancement, responsibility, and work itself. The second group Herzberg named hygiene factors (extra-job factors) include salary, interpersonal relations, supervision, company policy and administration, working conditions, factors in personal life, status, and job security.

Motivators refer to factors intrinsic within the work itself like the recognition of a task completed. Conversely, hygiene tends to include extrinsic entities such as relations with co-workers, which do not pertain the worker's actual job. According to Herzberg *et al.* (1959), motivators cause positive job attitudes because they satisfy the worker's need for self-actualization, the individual's ultimate goal. The presence of these motivators has the potential to create great job satisfaction; however, in the absence of motivators, Herzberg says, dissatisfaction does not occur. Likewise, hygiene factors, which simply 'move' (cause temporary action), have the potential to cause great dissatisfaction. Similarly, their absence does not provoke a high level of satisfaction.

Employees are motivated by feedback and recognition for the work they do. People need to have feedback concerning their work and they need to feel competent (Wiley, 1995). Extrinsic rewards such as good pay can increase intrinsic motivation if they are perceived as providing information about competence. The main factors that affect motivation of

workers are the job itself, the company environment, external pressures on people, internal human pressures, and individual capacity (Betts, 2000). The basic psychological process of motivation is often described as a need - drive - goal cycle. A need, the first factor, is often described as an internal deficiency, which is created because of the lack of homeostasis when physiological, or psychological imbalances occur. A drive, or motive, is established to satisfy a need. Any attainment, which reduces the drives and relieves a need is termed a goal.

Employees need to know what is expected of them and how their performance will be measured. Robbins (2005) argues that employees must feel confident that if they exert an effort within their capabilities, it will result in satisfactory performance as defined by the criteria by which they are being measured. They must also feel confident that if they perform as they are being asked, they will achieve the rewards they value. If the objectives that employees are seeking are unclear, if the criteria for measuring those objectives are vague, and if the employees lack confidence that their efforts will lead to a satisfactory appraisal of their performance, or believe there will be an unsatisfactory payoff by the organization when their performance objectives are achieved, we can expect individuals to work considerably below their potential (Robbins, 2005). Hence, performance appraisal plays an important role in influencing an employee's motivation.

2.7 Performance Appraisal and Job Satisfaction

Performance appraisal is important for all organizations. Depending on how it is done and the outcome, appraisal may lead to either satisfaction or dissatisfaction of employees. When employees are involved in setting performance objectives, targets and eventual evaluation process they may end up satisfied with the outcome of appraisal. On the other hand, employees may be dissatisfied with the outcome of appraisal when the objectives are not clear to them or when they are suspicious about the uses of appraisal.

According to Quarstein *et al.* (1992), overall satisfaction is a function of a combination of situational characteristics and situational occurrences. The situational characteristics commonly proposed as key factors in job satisfaction are: the work itself, pay, promotion, supervision and co-workers, although the variables such as employee involvement and

organizational commitment may impact also. An appraisal outcome which work, pay, promotion and supervision in favor of an employee is likely to result to the employee's satisfaction. On the contrary, if the outcomes of these variables are not favorable to the employee, it may result to dissatisfaction by the concerned employee. The relationship between job satisfaction and performance is still open to question; it would be unwise to assume that high job satisfaction leads to high performance or that high performers are satisfied with their jobs (Euske *et al.*, 1980). A number of studies indicate a weak link while others suggest a potential relationship between satisfaction and performance. The cause and effect determinants are still unclear and it cannot be assumed that satisfaction leads to high performance, or that high performers are necessarily satisfied with their jobs (Euske *et al.*, 1980).

Wiese and Buckley (1998) contend that performance appraisals may increase employee commitment and satisfaction, due to improvement in organizational communication. While performance appraisals may satisfy numerous organizational objectives, their overriding purpose is often identified as providing information and direction to employees in a manner that will lead to improved performance (Latham *et al.*, 1993). Study by Poon (2004) found that performance ratings are often manipulated for political purposes. It further revealed that manipulations of ratings for motivational purposes, however, had no effect on job satisfaction and turnover intention and intention to quit.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This Chapter contains Research design, Population of study. Sample, Data collection and Data analysis.

3.2 Research design

The study was a survey. The design was preferred because of the cross - sectional nature of the data to be collected and the inherent comparative analysis.

3.3 Population

The population of study comprised all the 42 commercial banks in Kenya. (See Commercial Banks Directory, Appendix 2)

3.4 Sample

The sample size was 21 commercial banks in Nairobi. The 21 banks were selected using a stratified random sampling technique. The strata were organizational size based on peer groups drawn from The Commercial Banks Directory. The Central Bank of Kenya classifies banks into three categories (peer groups): Targe, Medium, and Small. According to this classification, there are 12 large banks, 13 medium banks and 17 small banks. 7 banks were selected randomly from each stratum (peer group).

3.5 Data collection

A structured questionnaire was used to collect data. Mail system of questionnaire administration was used. The questionnaire was divided into four parts, A, B, C, and D. Part A focused on the general information about the banks and the respondents, part B was concerned with data on performance appraisal practices, part C targeted data on motivation and part D targeted data on job satisfaction. The questionnaire was completed by 6 employees from each of the 21 banks. Part A of the questionnaire was completed by all (126) respondents. Part B was completed by only three respondents from each bank,

namely human resource manager and two line managers. These three are well positioned to have enough information on performance appraisal practices in their respective Banks. Part C and D was administered to two tellers and one customer care staff from each bank since they are concerned with motivation and job satisfaction which are individual based.

3.6 Data analysis

Completed questionnaires were edited for completeness and accuracy before processing. The data was then coded to facilitate statistical analysis using SPSS computer package. Descriptive statistics such as means, frequencies, standard deviations, and percentages were used in the analysis of data. Pearson's correlation coefficient was used to test the significance of the relationship between appraisal practices, job satisfaction and motivation.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents analysis and findings of the research and their possible interpretations. Out of the 126 sampled respondents, only 115 completed the questionnaires, representing 91.3 per cent response rate, which the researcher considered adequate and sufficient for the purposes of data analysis. Questionnaires targeting clerical workers were 63 while only 59 responded representing 93.7 per cent response rate in this respondent category. Questionnaires targeting managers were distributed to 63 respondents but only 56 responded representing a response rate of 88.9 per cent. Analysis of data was dichotomized along respondent category (clerical workers and managers).

4.2 Demographic profiles of the respondents

The demographic profiles considered in this research included place of work, age, gender, marital status, occupation, highest level of education, length of service with current employer, and monthly salary. The related findings are presented below.

Table 1: Distribution of respondents by age

Age	Frequency		Per cent	
	clerks	managers	-clerks	managers
19-28 years	37	6	62.7	10.7
29- 38 years	19	33	32.2	58.9
39- 48 years	3	15	5.1	26.8
49- 58 years	0	2	0	3.6
Total	59	56	100	100

4.2.1 Age

62.7 per cent of clerical officers are aged between 19-28 years while 32.2 per cent of the clerical workers are aged between 29-38 years. No clerical officer was aged below 18 and above 48 years. The results indicate that most clerical officers are young people. On the other hand, 58.9 per cent of bank managers are aged between 29-38 years. Managers

aged between 39-48 years were represented by 26.8 per cent. The results indicate that age and experience are determinant factors of working in managerial position in the banks.

4.2.2 Gender

Table 2: Distribution of respondents by Gender

Gender	Frequency		Per cent	
	clerks	managers	clerks	managers
Male	24	38	40.7	67.9
female	35	18	59.3	32.1
Total	59	56	100	100

In tables 2 above, 59.3 per cent female and 40.7 per cent male employees occupy clerical jobs. Male managers are represented by 67.9 per cent, females by 32.1 per cent. These results may indicate that females are less in managerial jobs compared to their male counterparts. It would also show that there is discrimination of women in relation to promotions to better positions.

4.2.3 Marital status

Table 3: Distribution of respondents by marital status

Marital status	Frequency		Per cent	
	clerks	managers	clerks	managers
Single	43	20	72.9	35.7
Married	14	33	23.7	58.9
Divorced	1		1.7	
Widowed	1	3	1.7	5.4
Total	56	59	100	100

As shown in table 3 above, most clerical officers are single as indicated by 72.9 per cent, while 23.7 per cent of clerical workers are married. On the other hand, 58.9 per cent of Bank managers are married, single managers' account for only 35.7 per cent.

4.2.4 Departments

Table 4: Distribution of respondents by departments

Department	Frequency		Per cent	
	clerks	managers	clerks	managers
Human resources	1	18	1.7	32.1
Marketing	7	11	11.9	19.6
Finance and Administration	15	21	25.4	37.5
Front office	35	6	59.3	10.7
Operations	1		1.7	
Total	59	56	100	100

Results in table 4 above indicate that majority at 59.3 per cent of bank clerical officers work in the Front office department and 25.4 per cent work in the Finance and Administration department. The officers working in the front office department are employed as Tellers, and Customer care representatives. Bank managers working in the finance and administration department account for 37.5 per cent while those working in the human resources department account for 32.1 per cent. Managers in the marketing department are represented by 19.6 per cent; those working in the front office department are employed as Supervisors while those working in the Finance and Administration, Human Resource, and Marketing Departments are middle level managers.

4.2.5 Distribution of employees by level of education.

Table 5: Distribution of respondents by level of education

Level of education	Frequency		Per cent	
	clerks	managers	clerks	managers
Secondary			3.4	
Diploma	9	1	15.3	1.8
Degree	44	37	74.6	66.1
Post graduate	4	18	6.8	32.1
Total	59	56	100	100

Table 5 shows that 74.6 per cent of the clerical officers hold University degree and those with Postgraduate level of education account for 6.8 per cent. Out of 59 clerical officers, only 2 officers have Secondary level of education accounting for 3.4 per cent. The number of bank employees with Postgraduate level of education is higher for managers accounting for 32.1 per cent, while managers with University degree are represented by 66.1 per cent. The results show that majority of bank employees, both clerical officers and managers are professionals. About one third of bank managers are highly trained implying that banks' employment policies favour advanced level of education in management positions.

4.2.6 Length of service with current employer

Table 6: Distribution of respondents by length of service with current employer

No. of years	Frequency		Per cent	
	clerks	managers	clerks	managers
Less than 2 years	31	12	52.5	21.5
2 - 5 years	27	19	45.8	33.9
6 - 9 years	1	20	1.7	35.7
10 yrs and above	0	5	0	8.9
Total	59	56	100	100

Table 6 shows that 52.5 per cent of Clerical officers have a length of service not exceeding 2 years with the current employer. Those with work experience ranging between 2 to 5 years were represented by 45.8 per cent. No clerical officer has worked with current employer for more than 9 years. These findings may indicate that there exists high labor turnover among clerical workers in the bank. Table 6 shows that there is inconsistency in the length of service by Bank managers with the current employers. Managers who had served current employers for not more than 2 years were represented by 21.4 per cent, those ranging between 2 to 5 years; 6 to 9 years were represented by 33.9 per cent and 35.7 per cent respectively. Managers with over ten years length of service with current employer accounted for 8.9 per cent. The findings suggest that there is low labor turnover among bank managers and that managers have longer years of service.

4.2.7 Monthly Salary

Table 7: Distribution of respondents by monthly salary.

Monthly salary	Frequency		Per cent	
	clerks	managers	clerks	managers
Less than 20,000	1		1.7	
20,000 - 29,999	24	2	40.7	3.6
30,000 - 39,999	14	5	23.7	8.9
40,000 - 49,999	9	14	15.3	25.5
50,000 - 59,999	7	7	11.9	12.5
60,000 and above	4	28	6.8	50.0
Total	59	56	100	100

Table 7 shows that 40.7 per cent of the clerical officers earn between Kshs. 20,000 - 29,999, while 23.7 per cent earn between Kshs. 30,000 - 39,999. Out of 59 respondents, 4 clerical officers earn Kshs 60,000 and above. On the other hand, table 7 shows that 50 per cent of bank managers earn a monthly salary of Kshs 60,000 and above while and 25 per cent of the managers earn between Kshs. 40,000 to 49,999 per month. These results imply that management jobs are more financially rewarding as compared to clerical jobs.

4.3 Distribution of Appraisal Practices

Table 8: Distribution of appraisal frequency per annum

No. of appraisals per annum	Frequency	Per cent
Once	28	50.0
Twice	24	42.9
Four times	4	7.1
Total	56	100

As shown on table 8 above, 50 per cent of the Banks carry out performance appraisal only once a year and 42.9 per cent twice every year. Banks which carry out appraisal four times every year were represented by 7.1 per cent. This implies that most banks carry out performance appraisals once a year.

Table 9: Appraisers**Distribution of Appraisers**

Appraiser	Frequency	Per cent
HR Manager	24	42.9
Immediate supervisor	26	46.4
Customers	6	10.7
Total	56	100

Appraisal responsibility is split mainly between the immediate supervisor and the Human Resource manager. Table 9 shows that 46.4 per cent of the respondents reported that appraisal is the responsibility of the immediate supervisor while 42.9 per cent of the respondents reported that appraisal is done by the Human resource manager.

Table 10: Distribution of performance evaluation factors

Factors considered when evaluating performance	Frequency	Per cent
Individual traits	5	8.9
Work process	4	7.1
Level of performance	47	83.9
Total	56	100

The level of performance shown at 83.9 per cent in table 10 above is the highest factor considered when conducting performance appraisal. Other factors considered include individual traits at 8.9 per cent and work process at 7.1 per cent. The results imply that banks are performance oriented therefore an employee's contribution to overall performance highly counts.

Table 11: Distribution of different appraisal techniques

	Frequency	Per cent
Rating	26	46.4
Ranking	5	8.9
360 - degree feedback	13	23.2
Balanced score card	8	14.3
Pair comparison	1	1.8
Bench marking	3	5.4
Total	56	100

No bank uses one single technique for appraising the performance of its employees. A combination of techniques is used in appraising employee performance. Contrary to the literature which argues that traditional appraisal techniques are less used in contemporary societies. Rating accounts for 46.4 per cent, it is a very popular appraisal technique used by banks in Kenya. The 360 - degree feedback is second to rating technique and it represents 23.2 per cent, Balanced score card represents 14.3 per cent of the appraisal techniques used. The pair comparison is the least popular technique used by banks for appraising employee performance, (see table 11 above)

4.4 Use of Performance Appraisal Outcome

Table 12: Distribution of Performance appraisal outcome

Use of appraisal	* Mean	Std. Deviation
Extent to which appraisal is used for pay raise	1.5000	.85280
Extent to which appraisal is used for promotion	1.6071	.62315
Extent to which appraisal is used for training purposes	2.1607	.82631
Extent to which appraisal is used for transfer purposes	3.1455	1.06141
Extent to which appraisal is used for disciplinary action	3.4545	1.31682

The use of appraisal outcome for various purposes was assessed using a 5 - point likert scale. In order to determine the extent of use of appraisal for various purposes, the scores of each purpose was analyzed to get the mean and standard deviation. The mean scores were rated in the following manner: (0 - 1.4) = Very small extent; (1.5 - 2.4) = Small extent; (2.5 - 3.4) = Moderate extent; (3.5 - 4.4) = Large extent; (4.5 - 5.0) = Very large extent. The standard deviation was used to measure the degree of the spread in the scores among the respondents.

Respondents reported that performance appraisal is used to a small extent for pay raise ($x = 1.5$) and promotion ($x = 1.6$). The standard deviation of 0.62 implies that respondents coalesced around the mean observation of the use of appraisal for promotion purposes. To a small extent ($x = 2.2$), appraisal is used for training purposes, whereas it is used to a moderate extent ($x = 3.1$) for transfers and to a large extent ($x = 3.5$) for disciplinary action in the banking industry. These results indicate that performance appraisal is viewed suspiciously by employees in the banking industry. This could be as a result of the technique used; the appraiser and perhaps because employees are not involved in setting performance objectives and targets in the banking industry.

4.5 Employee motivation

Table 13: Influence of appraisal on employee motivation and punctuality

Influence of appraisal	Mean	Std. Deviation
Extent to which appraisal influences motivation	2.0508	.77512
Extent to which appraisal affects working relationships	2.5593	1.07111

Respondents were asked to indicate the extent to which appraisal influences their motivation to work and working relationships. It shows performance appraisal influences their motivation to work to a small extent ($x = 2.1$) and to a moderate extent ($x = 2.6$) their working relationships with colleagues. This implies that appraisal results have significant influence on employee working relationships.

4.6 Influence of appraisal

Table 14: Influence of appraisal on employment practices and experiences

Influence of appraisal	Mean	Std. Deviation
Extent of appraisal influence on reporting time	1.8644	.97304
Extent of appraisal influence on voluntary overtime	2.5932	1.10045
Extent of appraisal influence on paid overtime	2.2712	1.09593
Extent of appraisal influence on hard work/ effort	2.0678	.94439
Extent of appraisal influence on happiness at place of work	2.6610	.95791
Extent of appraisal influence on work direction	2.1356	.99060
Extent of appraisal influence on commitment to employer	2.2203	1.05156
Extent of appraisal on employee honesty	2.1695	1.17668
Extent of appraisal on drive to work	2.2712	.92532
Extent of appraisal on persistence to achieve	1.03504	.96641
Extent of appraisal on persistence to achieve	2.2203	1.03504

The influence of appraisal on employment factors in table 14 was assessed using a 5 - point likert scale. In order to determine the extent to which appraisal influences different responses among clerical officers in banks. The scores of each factor were analyzed to get the mean and standard deviation. The mean scores were rated in the following manner: 0 - 1.4 = Very small extent; 1.5 - 2.4 = Small extent; 2.5 - 3.4 = Moderate extent; 3.5 - 4.4 = Large extent; 4.5 - 5.0 = Very large extent. The standard deviation was used to measure the degree of the spread in the scores among the respondents.

Appraisal to a small extent influenced the following factors: Reporting time to work (x=1.86), employee effort (x=2.1), employee honesty (x=2.1), persistence to achieve (x=2.1), commitment to employer (x=2.2), drive to work (x=2.3), and paid overtime (x=2.3). However, performance appraisal to a moderate extent influenced voluntary overtime (x=2.6), and happiness at place of work (x=2.7). The results indicate that a positive appraisal can induce employee happiness at the place of work and at the same time save banks costs when employees are willing to work over time without pay. Happy workers are more productive and the findings therefore point that there exists a correlation between appraisal, and employee happiness and the resultant employee productivity. A negative appraisal may reduce employee happiness at the place of work which in turn lowers worker morale and consequently contributing to lower productivity. It can be argued that there exists a relationship between appraisal and bank staff job satisfaction because satisfaction is a product of employee happiness and since appraisal to a moderate extent influences employee happiness, it therefore indirectly results to employee satisfaction or dissatisfaction.

It is important to note that appraisal results may have little influence on employee willingness to work overtime as long as they are paid for the services they render to the banks. The findings suggest that employee honesty is likely to be more of a personal attribute rather than the outcome of appraisal results. The standard deviations in most factors considered in table 14 above demonstrate that respondents' views coalesced around the mean and that there were no gross deviations from the mean observations.

4.7 Employee Satisfaction assessment

Table 15: Employee satisfaction assessment

	Mean	Std. Deviation
Job satisfaction based on promotion with more prestige and salary	4.4576	.85746
Job satisfaction based on good relations with co-workers	4.0847	1.08736
Job satisfaction based on importance of the job	4.1695	1.11653
Job satisfaction based on appraisal results	2.8983	.92279
Job satisfaction based on participation in decision making	4.0678	.99766
Job satisfaction based on department decision input	3.7797	1.05156
Job satisfaction based on bank reputation	3.9492	1.02425
Job satisfaction based on remuneration equity feeling	3.0847	1.08736
Job satisfaction based on supervisor support	3.3390	.90230
Job satisfaction based on supervisor encouragement to seek new educational opportunities	3.3390	.99326
Job satisfaction based on adequate and fair compensation	3.2034	.88629
Job satisfaction based on opportunity to develop skills and knowledge	3.3898	1.03419
Overall satisfaction	3.1695	.87400

A 5 - point scale similar to 4.5 above was used to assess bank employee job satisfaction. Employees to a very large extent ($x= 4.5$) agreed that if they do their job well, they expect to be promoted with more prestige and salary. This implies that employees expect reward in the form promotion with more prestige for good job they do. To a large extent ($x= 4.1$) respondents agreed that they had good relations with their co-workers

suggesting that they were satisfied. Employees to a large extent agreed that their job is important implying that they value their jobs. This shows that employees are satisfied. Respondents agreed that they would like to be more involved in decision making in their banks to a large extent. This indicates that they are willing to contribute to and own objectives and performance targets set by the bank. The reputation of the bank contributed to employee satisfaction to a moderate extent ($x = 3.9$). Employees interviewed were satisfied to a moderate extent ($x = 3.2$). (See table 15)

4.8 Relationship between Appraisal and Job Satisfaction

Table 16: Relationship between appraisal and job satisfaction

		Overall satisfaction	Extent to which appraisal influences motivation
Overall satisfaction	Pearson Correlation	1	-.038
	Sig. (2-tailed)	.000	.773
	n	59	59
Extent to which appraisal influences motivation	Pearson Correlation	-.038	1
	Sig. (2-tailed)	.773	.000
	n	59	59

The results of test of correlation between overall satisfaction and motivation are presented in table 16. As shown in the Table, there is a weak insignificant negative correlation between overall satisfaction and motivation ($r = -0.038$, $p = 0.773$). This implies that performance appraisal has no influence on the relationship between job satisfaction and employees' motivation. This seems contrary to what could have been expected. Alternatively it could mean that the nature of the appraisal process including the appraisal instrument might have had inherent problems that could have made appraisees have negative feelings towards the entire appraisal system.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings of the study as well as conclusion gathered from analysis of the data. Findings have been summarized alongside the objectives of the study, conclusions have been drawn and recommendations given.

5.2 Summary of findings

From the study findings it was found that 50 per cent of the banks carry out appraisal only once a year and 42.9 per cent carry out appraisal twice a year. 46.4 per cent of the respondents that appraisals are done by the immediate supervisor and the key factor considered when conducting appraisal is the level of performance. The study found that banks use a combination of performance appraisal techniques and contrary to existing literature which argues that organizations have desisted from using traditional appraisal techniques, rating was found to be popular among banks. Appraisal was found to have little influence on motivation but, it influences voluntary overtime to a moderate extent ($x= 2.6$) and it also influences employee happiness to a moderate extent ($x=2.7$).

The study found that promotion with more prestige and salary to a very large extent ($x=4.5$) influences employee satisfaction. Employees were found to be enjoying good working relations with their co-workers to a large extent ($x= 4.1$). A weak link was found between appraisal and employee motivation while a strong link existed between appraisal and job satisfaction.

5.3 Conclusion

From the findings and discussion, it is evident that appraisal is a significant determinant of employee happiness which in turn influences their satisfaction. Banks can enjoy cost savings through voluntary overtime when appraisal is done in a way which involves employee in setting objectives and setting performance targets. Since there exists a negative correlation between appraisal and motivation, employers need to investigate factors which contribute to employee motivation. However, the positive correlation

between appraisal and job satisfaction should be explored by employers to boost productivity. This can be done by discussing appraisal outcome in privacy with the employees, motivating them and supporting employees to succeed in the job.

5.4 Recommendations

From the study findings, it is clear appraisal has significant influence on employee job satisfaction. It is imperative that employers involve employees as much as possible and at every stage of the appraisal process so that the outcome of appraisal contributes to job satisfaction. Employers should explore ways of managing and reducing post appraisal dissatisfaction. The study recommends that banks a combination of appraisal techniques be used to reduce the weaknesses of one single technique. Since promotion with prestige and salary has significant impact on employee satisfaction, banks should continuously review employee remuneration and job grades and positively adjust them from time to time to increase job satisfaction and employee productivity. Banks should desist from stagnating some employees in one single job group for prolonged period because this may lower their job satisfaction and reduce their productivity.

5.5 Suggestions for future research

Future research need to investigate the link between employee motivation and the growth of banks. There is also need to replicate this study to other service providers such as Insurance companies, Mobile service providers and Hotels. Future research should also investigate the link between performance contract and employee motivation.

5.6 Limitations of the study

The study was carried out within Nairobi and had it been extended beyond the City, the findings would have been different. Banks employees are very busy and since the mode of data collection was mail questionnaire, the researcher had little control over who fills the questionnaire; it is likely that some managers may have given questionnaires to their juniors to fill.

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APPENDIX I

LETTER OF INTRODUCTION

University of Nairobi,
School of Business,
P.O. BOX 30197,
Nairobi.

Dear Respondent,

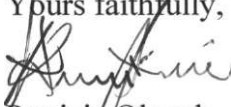
RE: COLLECTION OF RESEARCH DATA

I am a postgraduate student in the above mentioned University undertaking a Management Research Project on "**The Relationship between Performance Appraisal Practices, motivation and Job Satisfaction**"

You have been selected to form part of this study. You are kindly requested to assist in data collection by responding to the questions in the accompanying Questionnaire. The information provided will exclusively be used for academic purposes only and will be treated with utmost confidence.

You will also be provided with a copy of the final report upon your request.

Your cooperation is highly appreciated.

Yours faithfully,

Patricia Oluoch.

APPENDIX II - Central Bank Of Kenya

Commercial Banks Directory

African Banking Corporation Limited

Website: <http://www.abcthebank.com>

Physical Address: ABC Bank, Mezzanine Floor, Koinange Street

Peer Group: Medium

Branches: 7

Bank of Africa Kenya Ltd

Email: bkoafrica@boakenya.com

Website:

Physical Address: Re-Insurance Plaza Taifa Rd.

Peer Group: Medium

Branches: 3

Bank of Baroda (K) Ltd.

Email: barodabk_ho@kenyaweb.com

Website: www.barodabank.com

Physical Address: Baroda House Koinange St.

Peer Group: Medium

Branches: 6

Bank of India

Email: ceboinrb@futurenet.co.ke

Website:

Physical Address: Bank of India House, Kenyatta Avenue

Peer Group: Medium

Branches: 4

Barclays Bank of Kenya Ltd

Email: barclays.kenya@barclays.com

Website:

Physical Address: Barclays Plaza, Loita Street

Peer Group: Large

Branches: 43

CFC Bank Ltd

Email: enquiries@cfcbank.co.ke

Website: <http://www.cfcbank.co.ke>

Physical Address: CFC CENTRE CHIROMO ROAD WESTLANDS

Peer Group: Large

Branches: 6

Charterhouse Bank Ltd (Under Statutory Management)

Email: info@charterhouse-bank.com

Website:

Physical Address: Longonot Place 6th Floor, Kijabe St.

Peer Group: Medium

Branches: 10

Chase Bank Ltd
Email: info@chasebank.co.ke
Website:
Physical Address: Prudential Assurance Bldg, 6th Floor, Wabera St.
Peer Group: Small
Branches: 2

Citibank N.A. Kenya
Email:
Website: http://www.citibank.com/eastafrica/kenya/
Physical Address: Citibank House Upper Hill Rd
Peer Group: Large
Branches: 2

City Finance Bank Ltd
Email: cfbl@swiftkenya.com
Website: http://www.cityfinancebank.co.ke
Physical Address: Unity House, Koinange St
Peer Group: Small
Branches: 1

Co-operative Bank of Kenya Ltd
Email: md@co-opbank.co.ke
Website: www.co-opbank.co.ke
Physical Address: Co-operative House, Haile Selassie Ave
Peer Group: Large
Branches: 37

Commercial Bank of Africa Ltd
Email: cba@cba.co.ke
Website: www.cba.co.ke
Physical Address: CBA Building, Upper Hill, Mara/Ragati Rd
Peer Group: Large
Branches: 12

Consolidate Bank of Kenya
Email: headoffice@consolidated-bank.co
Website: www.consolidated-bank.com
Physical Address: Consolidate Bank House Koinange st
Peer Group: Small
Branches:11

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Credit Bank
Email: cblnbi@creditbankltd.com
Website:
Physical Address: Ground floor Mercantile Hse Koinange St
Peer Group: Small
Branches: 4

Development Bank of Kenya
Email: dbk@devbank.com
Website:
Physical Address: Finance House Loita st
Peer Group: Small
Branches:1

Diamond Trust Bank Ltd
Email: user@dtbkenya.co.ke
Website: www.diamondtrust-bank.com
Physical Address: Nation Centre 8th Floor, Kimathi St.
Peer Group: Large
Branches: 5

Dubai Bank Kenya Ltd
Email: info@dubaibank-kenya.com
Website:
Physical Address: ICEA Building, Kenyatta Ave.
Peer Group: Small
Branches:3

EABS Bank Ltd
Email: eabs@form-net.com
Website:
Physical Address: Fedha Towers, Muindi Mbingu St.
Peer Group: Medium
Branches: 9

Equatorial Commercial Bank Ltd
Email: ecd@saamnet.com
Website:
Physical Address: Sasini House, Loita St.
Peer Group: Small
Branches: 2

Equity Bank
Email: info@ebsafrica.com
Website: www.ebsafrica.co.ke
Physical Address: NHIF Building 14th Floor, Community
Peer Group: Medium
Branches: 36

Family Bank Ltd
Email: jamii@insightkenya.com
Website: www.familyfinance.co.ke
Physical Address: Fourways Towers, Muindi Mbingu St.
Peer Group: Small
Branches: 31



Fina Bank Ltd
Email: banking@finabank.com
Website: www.finabank.com
Physical Address: Fina House, Kimathi St.
Peer Group: Medium
Branches: 5

Giro Commercial Bank Ltd
Email: gcbl@swiftkenya.com
Website:
Physical Address: Giro House, Kimathi St.
Peer Group: Medium
Branches: 6

Guardian Bank Ltd
Email: moiavenue@guardian-bank.com
Website: viewpark@guardian-bank.com
Physical Address: Moi Avenue
Peer Group: Medium
Branches:5

Habib Bank A.G. Zurich
Email: habibbank@wananchi.com
Website:
Physical Address: Nagina House, Koinange St.
Peer Group: Medium
Branches:4

Habib Bank Ltd
Email: hbiro@hblafrika.com
Website:
Physical Address: Exchange Building, Koinange St.
Peer Group: Small
Branches: 4

Imperial Bank Ltd
Email: info@imperialbank.co.ke
Website:
Physical Address: Bunyala Road, Upper Hill
Peer Group: Medium
Branches: 5

Investment & Mortgages Bank Ltd
Email: invest@imbank.co.ke
Website: www.imbank.com
Physical Address: I & M Bank House, 2nd Ngong Ave
Peer Group: Large
Branches: 9

K-Rep Bank Ltd
Email: registry@k-repbank.com
Website: www.k-repbank.com
Physical Address: Naivasha Rd. Riruta
Peer Group: Small
Branches:28

Kenya Commercial Bank Limited
Email: kcbhq@kbc.co.ke
Website: http://www.kcb.co.ke
Physical Address: Kencom House Moi Avenue
Peer Group: Large
Branches:119

Middle East Bank (K) Ltd
Email: ho@mebkenya.com
Website:
Physical Address: Mebank Tower, Milimani Rd
Peer Group: Small
Branches:2

National Bank of Kenya Ltd
Email: info@nationalbank.co.ke
Website: www.nationalbank.co.ke
Physical Address: National Bank Building, Harambee Ave
Peer Group: Large
Branches:23

National Industrial Credit Bank Ltd
Email: info@nic-bank.com
Website: www.nic-bank.com
Physical Address: N.I.C House, Masaba Rd
Peer Group: Large
Branches: 5

Oriental Commercial Bank Ltd
Email: info@orientalbank.co.ke
Website:
Physical Address: Finance House, Koinange St.
Peer Group: Small
Branches: 4



Paramount Universal Bank Ltd
Email: pbl.bank@africaonline.co.ke
Website:
Physical Address: Sound Plaza Building, Westlands
Peer Group: Small
Branches: 3

Prime Bank Ltd
Email: headoffice@primebank.co.ke
Website: primebankkenya.com
Physical Address: Riverside Drive
Peer Group: Medium
Branches: 9

Southern Credit Banking Corporation Ltd
Email: admin@ho.southern.com
Website:
Physical Address: Off-Muranga Rd.
Peer Group: Small
Branches: 10

Stanbic Bank Kenya Ltd
Email: stanbic@africaonline.co.ke
Website: www.stanbic.co.ke
Physical Address: Stanbic Bank Building, Kenyatta Ave
Peer Group: Large
Branches: 8

Standard Chartered Bank (K) Ltd
Email: mds.office@ke.standardchartered.com
Website:
Physical Address: Stanbank House, Moi Ave.
Peer Group: Large
Branches: 28

Transnational Bank Ltd
Email: ceo@tnbl.co.ke
Website:
Physical Address: Transnational Plaza, Mama Ngina St.
Peer Group: Small
Branches: 7

Victoria Commercial Bank Ltd
Email: victoria@vicbank.com
Website:
Physical Address: Victoria Towers, Kilimanjaro Ave. Upper Hill
Peer Group: Small
Branches: 1

APPENDIX III: QUESTIONNAIRE

STUDY ON THE RELATIONSHIP BETWEEN PERFORMANCE APPRAISAL PRACTICES, MOTIVATION AND JOB SATISFACTION.

Tick Where Applicable V

PART A: EMPLOYEE PERSONAL PROFILE:

1. Name (Optional)
2. Place of work (Bank name).
3. Age
 - (a) 18 Yrs and below j
 - (b) 19-28 Years
 - (c) 29-38 Yrs.
 - (d) 39 - 48 Yrs
 - (e) 49-58 Years
 - (f) 59 Yrs and above [
4. Gender.
 - (a) Male Q
 - (b) Female ●
5. Marital Status.
 - (a) Single ●
 - (b) Married ●
 - (c) Divorced
 - "(d) Widowed ●
6. Which department of the bank do you work? ●
 - (a) Human resource^ j
 - (b) Marketing ●
 - (c) Finance & Administration ●
 - (d) Front office
 - (f) Others (Specify)
7. Highest Level of Education,
 - (a) Secondary
 - (b) Diploma ●
 - (c) Degree
 - (d) Post Graduate ●

17. Indicate the extent to which appraisal influences the following factors at your workstation

	Very large extent (5)	Large extent (4)	Moderate extent (3)	Less extent (2)	Very less extent (1)
Reporting time to work	●	●	●	●	●
Voluntary overtime	●	●	●	●	●
Paid overtime	●	●	●	●	●
Hard work/ effort	●	●	●	●	●
Happiness at place of work	●	●	●	●	●
Direction at work	●	●	●	●	●
Commitment to The employer	●	●	●	●	●
Employee honesty	●	●	●	●	●
Drive to work	●	●	●	●	●
Persistence to achieve targets	●	●	●	●	●
Participation in teamwork	●	●	●	●	●