

## **The Effect of Performance Appraisal Systems on Employees in Kenya Tea Development Agency: A Survey of Selected Tea Factories in Meru County-Kenya**

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### **Abstract**

At an organizational level, the performance appraisal system impacts other HR systems as well as organizational strategy. The effectiveness of an organization's performance appraisal system is a prerequisite for ensuring the success of its selection, training, and employee motivation practices. At a strategic level, the need for rapid and effective organizational change in today's dynamic social, economic, and political environment requires that employees continually re-align their performance with the evolving goals and objectives of the organization. The need to continually re-align performance characterizes many organizational departments which continue to struggle with getting their members to embrace the philosophy and practices that are geared at enhancing performance. None of these local and international studies has focused on the effectiveness of performance appraisal systems in the Kenyan context.

The purpose of the study is to investigate the effectiveness of performance appraisal systems in Kenya Tea Development Agency with special focus on, Githongo, Imenti Tea Factory, Kiegoi and Miciimikuru Tea factories in Meru County in Kenya. This research adopted a descriptive research design where the population of interest in the selected tea estate were visited. 70 respondents were selected out of representing a population of 348 possible respondents using stratified random sampling by taking 20% of the target population in each stratum.

The study used a questionnaire as primary data collection instrument. The questionnaire was administered through drop and pick method to the officers of the selected departments. Data analysis and Presentation included analysis of data to summarize the essential features and relationships of data in order to generalise from the analysis to determine patterns of behaviour and particular outcomes. The content analysis was used to analyze the respondents' views about the effectiveness of performance appraisal. The quantitative data was then coded to enable the responses to be grouped into various categories.

The research revealed that competence, assessment and development, management by Objectives, performance based pay and employee training all had an effect on employee Performance in Kenya Tea Development Agency. However the factors, employee training, Performance based pay, and management by objectives were the key factors that influenced Employee performance as indicated by the respondents whereby the rated the three to a great Extent. However, the factor, competence, assessment and development could not be ignored since it was rated to a moderate extent by the employees an indication that it also contributed a lot to employee performance. This correlation and multiple regression analysis also revealed that the factors employee training, Performance based pay, and management by objectives were the main factors that had an impact on employee performance in KTDA.

**Keywords:** Performance appraisal; Employees; Promotion; Kenya Tea Development Agency; Performance based pay.

### Abbreviations

HR	-	Human resource
KTDA	-	Kenya Tea Development Authority
GOK	-	Government of Kenya
WB	-	World Bank
MBO	-	Management by objectives
IPT	-	Implicate person theory
USA	-	United States of America

## 1.0 Introduction

### 1.1 Background of the study

Performance appraisal is one of the most problematic components of human resource (HR) management (e.g. Allen and Mayfield, 1983). All involved parties — supervisors, employees, and HR administrators — typically are dissatisfied with their organization's performance appraisal system (Smith *et al.*, 1996) and view the appraisal process as either a futile bureaucratic exercise or, worse, a destructive influence on the employee-supervisor relationship (e.g. Momeyer, 1986). This is certainly true of most organizations, at least in the USA, wherein surveys typically reveal widespread dissatisfaction with the appraisal process (Huber, 1983; Walsh, 1986). Despite these indictments, managers are reluctant to abandon performance appraisal which they still regard as an essential tool of HR management (Meyer, 1991).

Appraisal, according to Smith (2000), involves the identification of cause and effect relationships on which employment and labour policies are based or can be based and are a routine process that organizations use to evaluate their employees. It is a systematic assessment that is as objective as possible of an ongoing programme or policy, its design, implementation and results. Its aim is to appraise the relevance and fulfillment of objectives, efficiency, effectiveness, impact and sustainability.

Although, performance appraisal itself is often a process that involves documentation and communication, the tendency in recent years has been to formalize the appraisal process, whereas in years past, an informal approach with very little record keeping sufficed, now more documentation is required. Organizations usually formalize part of the process by using a standard form.

Currently, many organisations are implementing or planning to implement, reward and/or recognition programmes believing that these will help bring about the desired cultural change. In some organisations, large amounts of money are being invested in these types of activities and some managers are required specifically to set aside a certain amount from their budgets for this purpose (Denning, 2001). This rationale is based on the assumption that these types of incentives will encourage employee loyalty, foster teamwork and ultimately facilitate the development of the desired culture that encourages and supports knowledge sharing. Others maintain that to encourage knowledge-sharing organisations should design reward and recognition systems that stimulate sharing of all kinds: goals, tasks, vision as well as knowledge (Wright, 2004).

One factor that contributes to an effective performance appraisal system entails ensuring that the system focuses on performance variables as opposed to personal traits (Smither, 1998). Whereas experts disagree about whether performance should be measured in terms of the results produced by employees (e.g. Kane *et al.*, 1995) or in terms of work-related behaviors (e.g. Murphy and Cleveland, 1991), they agree that measuring personal traits has several drawbacks. For example Jankowicz (2004) notes that the validity and reliability of trait-based performance appraisals is highly suspect because the rater's perceptions of the traits being assessed are affected by his/her opinions, biases, and experiences that may have little to do with the particular employee. In addition, appraisals based on personal traits have little value for providing diagnostic feedback to employees or for designing training and development programs to ameliorate identified skill deficiencies (Squires and Adler, 1998). Furthermore, based on his review of the findings from several court cases involving performance appraisal, Malos (1998) concluded that, to be legally sound, appraisals should be job-related and based on behaviors rather than traits.

For an appraisal system to be effective, employees must believe that they have an opportunity for meaningful input into the appraisal process (Weick, 2001). Such input may range from having the opportunity to challenge or rebut the evaluation one receives to judging one's own performance through self appraisal. Regardless of the nature of employee input, it is clear that giving employees a voice in their own appraisals enhances the perceived fairness of the appraisal process, which, in turn, increases the likelihood that employees will accept the appraisal system as a legitimate and constructive means of gauging their performance contributions. As noted by Gilliland and Langdon (1998), without the perception of fairness, "a system that is designed to appraise, reward, motivate, and develop can actually have the opposite effect and create frustration and resentment".

### *1.1.1 Kenya Tea Development Agency*

There is tremendous growth of the KTDA from 1964 to 2000 previously a parastatal before being privatized and acquiring a new status, namely Kenya Tea Development Agency Limited (KTDA LTD) The Kenya Tea Development Agency Ltd was incorporated on 15th June, 2000 as a private company under (Cap486) of laws of Kenya becoming one of the largest private tea management Agency. The Agency manages 54 operational factories in small-scale tea sub-sector in Kenya.

Currently, KTDA Ltd tea growing areas are found in the following districts: Kiambu, Thika, Maragwa, Murang'a, Nyeri, Kirinyaga, Meru central, Meru north, Meru south, Embu, Kericho, Bomet, Bureti, Nandi, Trans-zoia, Gucha, Nyamira, Kisii, Kakamega, Vihiga, Transmara, Nakuru, Mt Elgon, Marakwet, Keiyo and Rachuonyo.

The agriculture, session paper no 1 of 1999 brought major changes to the tea industry .It's on liberisation and restructuring of the tea industry. Ideally it brought reforms in the Tea Board of Kenya.

Before the liberisation initiatives, the ministry of Agriculture was charged with the role of decision making in agriculture and its function spanned the entire sector, leaving little, if any, individual entrepreneurial decision making in the hands of the farmers. The process of liberisation of the tea Industry began in 1992 when the GOK and WB (IDA) signed an agreement under public enterprise reform program covering major parastatals KTDA included. Kenya Tea Development Agency limited was incorporated on 15th June 2000 as a private company under (cap 486) of laws of Kenya becoming one of the largest private tea management agency.

The agency currently manages 54 operational factories in small-scale tea sub-sector in Kenya .The agency currently has 400,000 growers cultivating over 86,000 hectares with an annual green leaf products in excess of 700 million Kgs about 6,000 per hectares by year 2003. With about 400,000 small-scale tea growers, economically empowered directly for KTDA Ltd 'Tea bonus' has remained a key performance indication in the industry .Its fluctuating rates of payment have remained a bone of contention for years now.

### *1.2 Statement of the problem*

At an organizational level, the performance appraisal system impacts other HR systems as well as organizational strategy. Latham and Wexley (2001) assert that the effectiveness of an organization's performance appraisal system is a prerequisite for ensuring the success of its selection, training, and employee motivation practices. At a strategic level, the need for rapid and effective organizational change in today's dynamic social, economic, and political environment requires that employees continually re-align their performance with the evolving goals and objectives of the organization (O'Donnell and Shields, 2002). The need to continually re-align performance characterizes many organizational departments which continue to struggle with getting their members to embrace the philosophy and practices that are geared at enhancing performance (Scrivner, 1995; Vinzant and Crothers, 1994). As noted by Kane *et. al.* (1995, p. 285), an appraisal system "must be considered a major organizational change effort which should be pursued in the context of improving the organization's effectiveness".

This study therefore, seeks to fill this knowledge gap by investigating the effect of performance appraisal systems in on employee performance in Kenya tea development agency with special focus on selected tea factories in Meru County in Kenya.

### *1.3 Objectives of the Study*

#### *1.3.1 General Objective*

The study's main objective was to investigate the effect of performance appraisal systems on employee performance in Kenya Tea Development Agency with special focus on the selected tea factories in Meru County in Kenya

#### *1.3.2 Specific Objectives*

- i. To investigate the effect of competence assessment and development on the employees performance in Kenya Tea Development Agency
- ii. To assess the effect of management by objectives on the employee performance in Kenya Tea Development Agency
- iii. To establish the effect of performance based pay on the employee of performance in Kenya Tea Development Agency
- iv. To determine the effect of employee training on the employee performance in Kenya Tea Development Agency

## **2.0 Literature Review**

### *2.1 Theoretical review*

Critiques of appraisal have continued as appraisals have increased in use and scope across sectors and occupations. The dominant critique is the management framework using appraisal as an “orthodox” technique that seeks to remedy the weakness and propose of appraisals as a system to develop performance (Bach, 2005). This “orthodox” approach argues there are conflicting purposes of appraisal (Strebler *et al.*, 2001). Appraisal can motivate staff by clarifying objectives and setting clear future objectives with provision for training and development needs to establish the performance objective. These conflict with assessing past performance and distribution of rewards based on past performance (Bach, 2005, p. 301). Employees are reluctant to confide any limitations to and concerns with their current performance as this could impact on their merit-related reward or promotion opportunities. This conflicts with performance appraisal as a developmental process as appraisers are challenged with differing roles as both monitors and judges of performance, and an understanding counselor, which Randell (1994) argues few managers receive the training to perform. Managerial reluctance to criticize also stems from classic evidence from McGregor that they are reluctant to make negative judgments on an individual's performance as it could be de-motivating, leading to appraisee accusations of lack of managerial support and contribution to an individual's poor performance.

#### *2.1.1 Performance Appraisal*

Although often discussed in tandem, the terms “rewards” programmes and “recognition” programmes do refer to different concepts. In general terms rewards programmes come within the overall concept of compensation strategies which are defined as the “deliberate utilisation of the pay system as an essential integrating mechanism through which the efforts of various sub-units or individuals are directed towards the achievement of an organisation's strategic objectives” (Gomez-Mejia and Balkin, 1992). They are management tools that hopefully contribute to a firm's effectiveness by influencing individual or group behaviour (Lawler and Cohen, 1992). All businesses use pay, promotion, bonuses or other types of rewards to encourage high levels of performance (Cameron and Pierce, 1977).

While “recognition” is still an important management tool it is slightly different. Usually it is a non-financial award given to employees selectively, in appreciation of a high level of behaviour or accomplishment that is not dependent on achievement against a given target. Recognition can be as simple as giving someone feedback on what they have done right, or just saying “thank-you”. It is about acknowledging effort, commitment and learning, even if the outcomes were not as planned and it is also about, most importantly, celebrating successes.

It is generally accepted that incentives such as rewards and recognition programmes are used in the belief that they will reinforce an organisation's values, promote outstanding performance and foster continuous

learning by openly acknowledging role model behaviour and ongoing achievement. Both types are dependent on managers recognising the subordinates' achievements whether as individuals or as part of teams.

Lachance (2000, p. 3) has noted that rewards that bind an employee to an organisation have more to do with the way an employee is treated than any particular pay scheme. She suggests that while people may come to work for the pay, but they stay at work for many other reasons. Managers need to acknowledge and manage those other rewarding conditions as part of an overall strategic approach to rewards. Using the term "recognition" as the broader term Lachance further noted that the primary reason recognition works is that fundamentally it is a way to show managers are paying attention and that the power of just noticing cannot be overestimated. "Paying attention" does not simply mean handing out money and a simple "thank you" goes a long way. A big part of motivating people is giving direction and purpose to what they do. By recognising accomplishments when they occur can keep enthusiasm going. It is especially important when a big project is getting underway and the overall goal is a long way off. Stopping to celebrate the milestones, however informally, keeps people working towards a goal.

Appraisal of any type is often a very subjective process. Prendergast and Topel (1996, p. 960) argue that accurate and objective measures of an employee's performance are typically unavailable. Instead performance is gauged from subjective opinions provided by superiors and this subjectivity opens the door to favouritism where evaluators use their power to reward preferred subordinates beyond their true performance. The harmful effects of favoritism have two implications for the design of rewards. Incentive pay for employees will be de-emphasized and favoritism causes organizations to use bureaucratic rules in pay and promotion decisions.

Barnard (1998) provides a summary of important issues that help ensure a successful reward process. These are: Rewards can be used effectively to enhance interest and performance; Rewards do not undermine performance and interest; Verbal rewards lead to greater task interest and performance; Tangible rewards enhance motivation when they are offered to people for completing work or for attaining or exceeding specified performance standards; Rewards given for creativity encourage generalized creativity in other tasks; Reward systems should support the new dynamics of team-based organizations and reward the right kind of team behaviour and performance; Reward systems should recognize both the importance of co-operation and the differences in individual performance; Problems can occur when reward systems stress individual results even though people have worked together in teams.

### *2.1.2 Performance appraisal studies in Kenya*

It is important that staff appraisals do not become an end in themselves. There must be clear an obvious expectations that it, non-performers can expect either to separate with the organization or assisted to develop their weak areas. But how do you deal with the good performers. Performance-related salary progression is one way to incentives good performers. It involves the movement of an individual form one step within the grade to the next (also between grades). It is used on recognition of increased value of the jobholder to the organization and therefore a need to compensate them at a commensurate level. Performance-related bonuses are often considered a better alternative for rewarding performance. These are one-off payments and involve any step movements and are not institutionalized. Thus reducing an organizations risk because the organization is rewarding performance that has already been achieved. Bonuses also give management greater control over labour costs, and are motivational because they are based on performance over a specified duration.

Another way of rewarding performance is giving an employee a higher level of responsibility and a corresponding authority. This is usually common for a staff that have consistently achieved or exceeded

expectations and have the skills required for the higher level. Training would also be provided to expose staff to new skills which would either enhance their performance or would be needed in performing higher responsibilities. Other incentives may include, job expansion secondment to parent or sister companies and commendations such as staff of the year award.

In the 2005 Annual Human Resources Survey launched, it is clear that Kenya Companies continue to place a premium on staff performance management. In line with the current global trend, organizations are seeking to retain staffs who achieve set objectives and appraisals are the commonest basis for performance management. All except one of the organization surveyed this year, for instance indicated that they carry out formal staff appraisals, with annual appraisals being the commonest method of appraising staff performance. A significant number of respondents in the survey said they carry out the formal staff appraisals twice a year. Turning to the approach adopted to appraise staff performance, most if the surveyed organization this year indicated that they base their staff performance appraisals on pre-determined targets and objectives (Clear performance standards) that were agreed with the respective staff. Hybrid performance systems that combine set performance standards and personal qualities are also a popular appraisal system with nearly 40% of respondents reporting they applied it. Some respondents indicated they use more than one appraisal system. A survey of performance based compensation schemes in companies listed at the stock exchange found out that there was a complete absence of share ownership schemes and stock options and therefore companies faced difficulties in aligning compensation with performance. Salary does not depend on performance. Most companies considered experience, of the employees as well as education background when setting compensation scheme. The performance of a company influenced the schemes that the companies applied to compensate their employees with only a small number combining both salaries and bonuses Kiarie (2005) conclude therefore that performance is not a major factor while settling compensation schemes for most quoted companies in Kenya

## 2.2 Underlying theories

### 2.2.1 Justice theory

More recently, Roch and Shanock (2006) used exchange theory to incorporate all four justice dimensions into one theoretical framework. They found that procedural, interactional, interpersonal, and informational justice were related to social relationships, either with the organization (i.e. procedural justice) or with the supervisor (i.e. interactional, interpersonal, and informational justice), whereas distributive justice is related more to an economic exchange relationship. In the current study, we draw upon this integrative framework and apply it specifically to a performance appraisal context. This conceptualization may hold the key to explaining employees' perceptions of fairness concerning their performance appraisals and appraisal systems. Below we discuss relevant performance appraisal literature pertaining to each of the four justice dimensions.

*Procedural justice perceptions;* According to Rosenzweig and Nohria, (1994) model, judgments will depend on the relative weighting of the perceived fairness of the structural components of the performance appraisal procedure. Three specific procedures have shown prominence in the performance appraisal research (assigning raters, setting criteria and seeking appeals). Folger *et al.* (1992) and the subsequent empirical work by Taylor *et al.* (1995) emphasized the importance of setting criteria and seeking appeals. Silverman and Wexley (1984) found that participation in construction of behaviorally anchored rating scales led to favorable perceptions regarding the performance appraisal interview process and outcomes. Stratton (1988), found that perceptions of appeal procedures were positively related to evaluations of supervisors, trust in management, and job satisfaction.

*Distributive justice perception;* Distributive justice is deeply rooted in the research of the original equity theorists. There are two types of structural forces associated with the distributive justice of a performance appraisal as an outcome. The first type is decision norms (e.g. equity). Receivers of distributions

structured to conform to existing social norms, like equity, typically believe that the distributions are fair. Raters, however, may also feel driven to develop appraisals that conform to other distribution norms such as equality, need, or social status which may seem unfair to those being rated (Leventhal, 1980). The second type of structural force relates to the personal goals of the rater (e.g. to motivate, teach, avoid conflict or gain personal favor). Whether employees consider a particular appraisal as fair or unfair can depend on their perceptions of the rater's goals. Employees may consider an appraisal as fair if they perceive that the evaluator is trying to motivate them, improve their performance or expand their perceptions of their own capabilities. Goals that may not be perceived as fair can include conflict avoidance, favoritism and politics.

*Interpersonal justice perceptions;* Interpersonal justice concerns fairness perceptions that relate to the way the rater treats the person being evaluated. Greenberg (1986a) provided evidence that individuals are highly influenced by the sensitivity they are shown by their supervisors and other representatives within the organization. This is especially true when raters show concern for individuals regarding the outcomes they receive. Specifically, Greenberg found that apologies and other expressions of remorse by raters have been shown to mitigate ratees' perceptions of unfairness.

*Informational justice perceptions;* Informational justice concerns fairness perceptions based on the clarification of performance expectations and standards, feedback received, and explanation and justification of decisions. Like procedural justice, the focus is on the events which precede the determination of the outcome, but for informational justice, the perceptions are socially rather than structurally determined. Information about procedures can take the form of honest, sincere and logical explanations and justifications of any component of the allocation process. In the context of performance appraisals the most common interactions will involve the setting of performance goals and standards, routine feedback, and explanations during the performance appraisal interview.

### 2.2.2 *Implicit Person Theory*

Dweck (1986) defined *implicit theories* as lay beliefs about the malleability of personal attributes (e.g., ability and personality) that affect behavior. A prototypical *entity* implicit theory assumes that personal attributes are largely a fixed entity, whereas an *incremental* implicit theory assumes that personal attributes are relatively malleable.

Implicit theory research, conducted with children and students by educational and social psychologists (Kamins & Dweck, 1999), has focused largely on the motivational implications of holding a primarily entity or incremental implicit theory. Within an organizational context, several studies have examined how implicit theories of ability influence aspects of self-regulation including the goals that people set (e.g., Wood & Bandura, 1989), their level of self-efficacy (e.g., Martocchio, 1994), the resilience of their self-efficacy following setbacks (e.g., Wood & Bandura, 1989), and their performance on complex decision-making tasks (e.g., Taberner & Wood, 1999). However, no published studies, to our knowledge, have examined the effect of managers' implicit theories on their judgments of others.

Implicit theories can be domain specific, pertaining particularly to areas such as ability, morality, or personality. Chiu, Hong, and Dweck (1997) argued, however, that judgments about others are more likely to be influenced by a person's *implicit person theory* (IPT), that is, his or her domain-general implicit beliefs about the malleability of the personal attributes (e.g., ability and personality) that define the type of person that someone is, as well as how he or she behaves.

In the present series of studies we investigated the potential role of IPT in the revision of a manager's performance appraisal judgments. This is an important issue in organizational psychology because failure by managers to recognize a significant decrease in the performance of a medical surgeon, a paramedic, a security guard, an airline pilot, or a nuclear power plant operator, for example, could be catastrophic.

Similarly, failure to acknowledge a significant improvement in the behavior of an employee can lead to employee frustration, resentment, and withdrawal.

### 2.2.3 Equity Theory

The pay-for-performance effect is clearly rooted in the equity theory that emphasizes employees' perception of fairness. According to the theory, employees will perceive a practice to be fair or equitable when their input-output ratio is equal to that of a referent. When paid in accordance to individual performance, it is likely that employees perceive fairness or justice in the ratio. Studies have shown that a rating based on individual performance and a salary based on the rating tend to enhance employee perceptions of distributive justice (Campbell et al., 1998; Greenberg, 1996).

It is true that the equity aspect has been largely ignored in collectivistic cultures such as Korea, in which pay-for-performance was rarely utilized. As described, however, recent changes in the compensation techniques of Korean companies toward an ability/performance basis are quite notable. Despite the suspicions that the technique conflicts with the traditional cultural value of the country, an increased number of companies have used it as the preferred remedy to enhance flexibility and productivity.

### 2.2.4 Social Justice Theory

The organizational justice literature provides a robust framework for explaining and improving perceptions about performance appraisals. Organizational justice is deeply rooted in social exchange theory. Social exchange theories make two basic assumptions about human behavior (Mowday, 1991): social relationships are viewed as exchange processes in which people make contributions for which they expect certain outcomes; and, individuals evaluate the fairness of these exchanges using information gained through social interactions.

The original version of social justice theory suggested that social exchanges were perceived as fair when people sensed that their contributions were in balance with their rewards (Adams, 1963). This equity theory later became known as the distributive form of organizational justice because it involved the allocation or distribution of outcomes (Greenberg, 1990). Subsequent research discovered that individuals would accept a certain amount of injustice in outcome distributions as long as they perceived that the procedures that led up to those outcomes were fair (Cropanzano and Folger, 1991). Procedural justice describes the phenomena of perceived fairness in the allocation process. Leventhal (1980) identified seven procedural categories that individuals can use in order to determine the fairness of organizational processes. These include procedures for selecting agents, setting ground rules, collecting information, making decisions, appealing decisions, safeguarding employee rights, and changing procedures. An individual's awareness of unfair practices in any one of the seven factors can lead to perceptions of injustice. Since the publication of Leventhal's model, researchers have clearly demonstrated the existence of two justice factors: a distributive factor associated with the fairness of distribution of outcomes, and a procedural factor associated with the fairness of the means used to determine the outcomes.

## 3.0 Methodology

### 3.1 Research design

Descriptive research design was used in cases where researcher expected to have target group explain or describe certain issues about important variables of the study. This research adopted a descriptive research design where the population of interest in Githongo tea factory, Imenti Tea Factory, Kiegoi tea factory and Miciimikuru Tea factory were visited. The design was deemed appropriate because the main interest was to explore the viable relationship and describe how the factors that supported matters under investigation. Descriptive design method provided quantitative data from cross section of the chosen population.

### 3.2 Target population

The target population of this study was the staff working in the four selected tea factories in Meru County. The population characteristic was as summarized in the table 3.2.

### 3.3 Sampling design

From the above population of 348 each group beard to the population as a whole which was taken using stratified random sampling which gives each item in the population an equal probability of being selected. For this study, 70 respondents were selected representing a population of 348 possible respondents using stratified random sampling by taking 20% of the target population in each stratum. Random selection was determined objectively by means of random number tables. This was so because most of the staff members were aware of the information required by the study and selection of 20% is considered representative of each stratum, cheaper and cost effective beside the limited time the analysis was to be done .See table 3.3.

### 3.4 Data collection

The questionnaire was the primary data collection instrument. The questionnaire was administered through drop and pick method to the officers of the selected departments. The questions were designed to collect qualitative and quantitative data

### 3.5 Data analysis and presentation

This included analysis of data to summarize the essential features and relationships of data in order to generalise from the analysis to determine patterns of behaviour and particular outcomes. Before processing the responses, the completed questionnaires were edited for completeness and consistency. A content analysis and descriptive analysis was employed. The content analysis was used to analyze the respondents' views about the effect of performance appraisal. Data was grouped into frequency distribution to indicate variable values and number of occurrences in terms of frequency. Frequency distribution table was an informative to summarize the data from respondents. The organized data was interpreted on account of concurrence and standard deviation to objectives using a computer package SPSS.

In addition, the researcher used correlation analysis and a multiple regression analysis so as to determine the relationship between Employee Performance (E.P) (dependent variable) and the variables (which were the performance appraisal systems), namely; Competence, assessment and development, management by objectives, performance based pay and employee training (which were the independent variables) in the companies. The multiple regression was:

$$E.P = a_0 + ax_1 + bx_2 + cx_3 + dx_4 + e$$

E.P = Employee Performance

Where  $a_0$  = constant

a, b, c and d= Regression coefficients

$x_1$ = Competence, assessment, and development

$x_2$ = Management by objectives

$x_3$ = Performance based pay

$x_4$ = Employee training

$e$ = Error term

#### 4.0 Findings

The following were the main findings of the study objective wise;

##### *4.1: Effect of competence, assessment and development on employee performance in KTDA*

The entire study targeted at evaluating the effect of performance appraisal systems on employees performance in the selected tea factories in Meru County in Kenya. The research revealed that competence, assessment and development affected employee performance to a moderate extent as indicated by 56.9% of the respondents. There were also a number of number of statements on competence, assessment and development that enhanced employee performance as indicated by the respondents. The main statements were; Competence assessment and development is seen, by both staff and management, as a mechanism for identifying people with promotion potential and Competence assessment and development at the firm emphasizes on integrating individuals' aspirations and abilities with organizational goals.

##### *4.2: Effect of management by objectives on the employee performance in KTDA*

The research revealed that management by objectives enhanced the performance of the tea estate to a great extent with an indication of 67.5% of the respondents. The researcher also sought to know the extent to which a number of factors of management by objectives affected performance.

These factors included; a climate of achievement is generated by mutual trust and goal setting between the employee and his immediate manager at the estate, A successful program with the communication necessary to achieve desired results requires commitment and dedication, One of the major contributions of management by objectives is that it enables the firm to substitute management by self-control for management by domination, The MBO approach overcomes some of the problems that arise as a result of assuming that the employee traits needed for job success can be reliably identified and measured, Instead of assuming traits, the MBO method concentrates on actual outcomes, If the employee meets or exceeds the set objectives, then he or she has demonstrated an acceptable level of job performance, Employees are judged according to real outcomes, and not on their potential for success, or on someone's subjective opinion of their abilities, The guiding principle of the MBO approach is that direct results can be observed, whereas the traits and attributes of employees (which may or may not contribute to performance) must be guessed at or inferred, The MBO method recognizes the fact that it is difficult to neatly dissect all the complex and varied elements that go to make up employee performance and MBO advocates claim that the performance of employees cannot be broken up into so many constituent parts - as one might take apart an engine to study it. The research revealed that, the statements; one of the major contributions of management by objectives is that it enables the firm to substitute management by self-control for management by domination, and was the main effects of management by objectives on the performance of the tea estimates.

##### *4.3: Effect of performance based pay on the employee performance in KTDA*

The study also revealed that performance based pay affected employee performance to a great extent with a 46.1% of the respondents' indication. The researcher was interested by the extent to which a number of factors of performance based pay enhanced the performance of the tea estate. The researcher put several factors to test which included; Satisfaction of employees and supervisor/organization, Appraisal process, Evaluation of employees for reward purposes, Frank communication of appraisals and Wage and salary reviews. Of these factors, the factors; wage and salary reviews, Evaluation of employees for reward

purposes and appraisal process were the main factors of performance based pay that enhanced the performance of the tea estate as revealed by the research. In addition the statements; The appraisal process in this organization is directly linked to rewards, Performance based pay increases employee motivation in the organization, and Merit rises and bonuses are decided arbitrarily by supervisors and managers were the main factors of performance based pay that influenced the effectiveness of performance appraisal systems in the organizations as revealed by the research.

#### *4.4: Effect of employee training on the employee performance in KTDA*

The research revealed that employee training enhanced the performance of the estates to a great extent with a 45.7% of the respondents' indication. The researcher also wanted to know the extent to which the factors; Training programs, Frequency of training, Effectiveness of training methods, Form of training methods/approaches and Required knowledge/objectives affected the effectiveness of the performance appraisal in the organizations. The research revealed that all these factors influenced the effectiveness of the performance appraisal in the organizations to a moderate extent.

#### *4.5 Correlation and regression analysis:*

The researchers wanted to find out the relationship between the employee performance (EP) which was the dependent variable and the independent variables which were; competence, assessment and development, management by objectives, performance based pay, and employee training. The researchers also sought to know the effect of the independent variables (i.e. performance appraisal systems) namely; competence, assessment and development, management by objectives, performance based pay, and employee training on the dependent variable; employee performance (EP) by using the multiple regression analysis.

##### *4.5.1: Correlation analysis*

The correlation coefficients were obtained see table 4.5.1

Table 4.5.1, shows the correlation coefficients that gave the measure of the relationship between the dependent variable (Employee performance (E.P)) and the independent variables, which were; Competence, Assessment, and Development ( $X_1$ ), Management by objectives ( $X_2$ ), Performance based pay ( $X_3$ ), Employee training ( $X_4$ ). From table 4.7 there was a low positive correlation (relationship) between employee performance and Competence, Assessment, and Development ( $X_1$ ) with a correlation coefficient of 0.389. The relationship between employee performance and Management by objectives ( $X_2$ ) high, with a correlation coefficient of 0.603; the correlation between employee performance and Performance based pay ( $X_3$ ) was also high with a correlation coefficient of 0.548. There was also a high positive correlation between employee performance and employee training with a correlation coefficient of 0.734. From the study the researchers deduced that the variables management by objectives, performance based pay, and employee training were the main variables that affected employee performance.

##### *4.5.2: Regression analysis*

The multiple regression equation was:

$$E.P = a_0 + ax_1 + bx_2 + cx_3 + dx_4 + e$$

E.P = Employee Performance

Where  $a_0$  = constant

a, b, c and d= Regression coefficients

$x_1$ = Competence, assessment, and development

$x_2$ = Management by objectives

$x_3$ = Performance based pay

$x_4$ = Employee training

e= Error term

The estimate multiple regression model is given by;  $E.P = a_0 + ax_1 + bx_2 + cx_3 + dx_4$

The coefficients of the model were obtained using SPSS version 17 and they are as follows;  $a_0 = 0.482$ ,  $a = 0.034$   $b = 0.738$ ,  $c = 0.581$ , and  $d = 0.884$ . Thus, the estimated multiple regression equation is;

$$EP = 0.482 + 0.034X_1 + 0.738X_2 + 0.581X_3 + 0.884X_4$$

From the multiple regression equation the researchers deduced that the variables; management by objectives, performance based pay, and employee training had the greatest effect on the employee performance while the variables competence, assessment and development also had an effect on the employee performance though the effect could not be compared to the other three performance appraisal systems (i.e. management by objectives, performance based pay, and employee training) which had quite high effect to employee performance.

#### 4.5.3: The coefficient of determination:

The coefficient of determination obtained was 0.672 (67.2%) which is commonly referred to as the value of R square, ( $R^2$ ). This value of R square, ( $R^2$ ) is the proportion of variation associated to the independent variables (performance appraisal systems). Thus from the value obtained from this research the researchers deduced that the proportion of variation associated to the independent variables had a large effect since the value is greater than 50%.

#### 4.6 Conclusions

The study revealed that competence, assessment and development, management by objectives, performance based pay and employee training all affected employee performance in Kenya Tea Development Agency. However the factors, employee training, performance based pay, and management by objectives were the key factors that influenced employee performance as indicated by the respondents whereby they rated the three to a great extent. However, the factor, competence, assessment and development could not be ignored since it was rated to a moderate extent by the employees and indication that it also contributed a lot to employee performance.

Also, from correlation analysis and the multiple regression analysis, the performance appraisal systems namely; management by objectives, performance based pay and employee training has the largest effect on employee performance. The factor; competence, assessment and development also had a positive effect on employee performance as indicated by the positive correlation coefficient of 0.389.

The value of the coefficient of determination obtained which was 67.2% indicated that proportion of variation associated to the independent variables had a large effect since the value is greater than 50%. This was an indication that all the independent variables (competence, assessment and development, management by objectives, performance based pay and employee training) had a large effect on the dependent variable, which was the employee performance (E.P).

#### 4.7: Recommendations

This study recommends that;

Kenya Tea Development Agency (KTDA) should take initiative to give proper training to all its employees in order to improve the performance in the tea factories in all the the departments.

To improve efficiency in the factories the Kenya Tea Development Agency (KTDA) should adopt the system of Performance based pay on all its employees.

Kenya Tea Development Agency (KTDA) should also take proper consideration of competence, assessment and development of the employees that are working within and out of the tea factories.

In addition the company should adopt management by objectives in order to improve performance of its employees.

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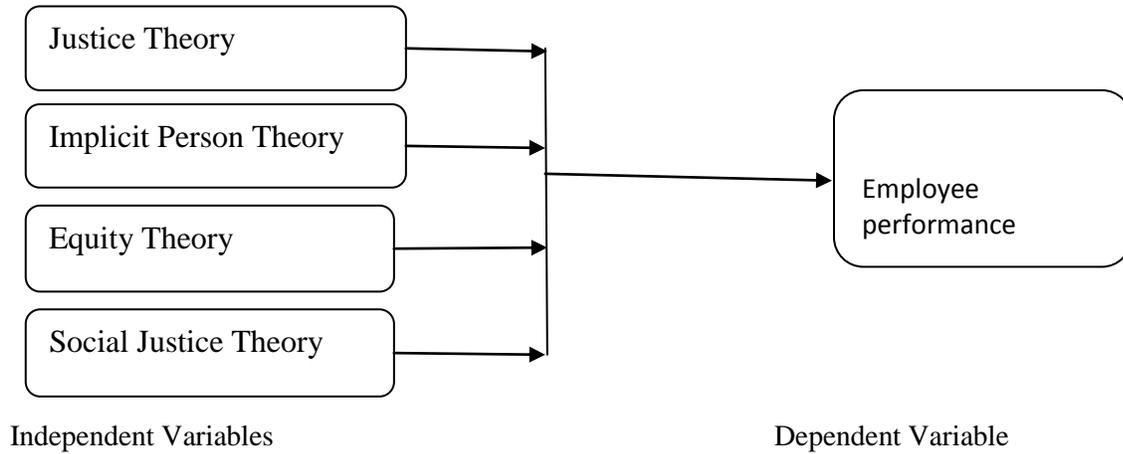
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Figure 2.2

2.2.5 Theoretical Framework



Source: Authors 2011

Figure 2.3

2.3.2 Conceptual framework

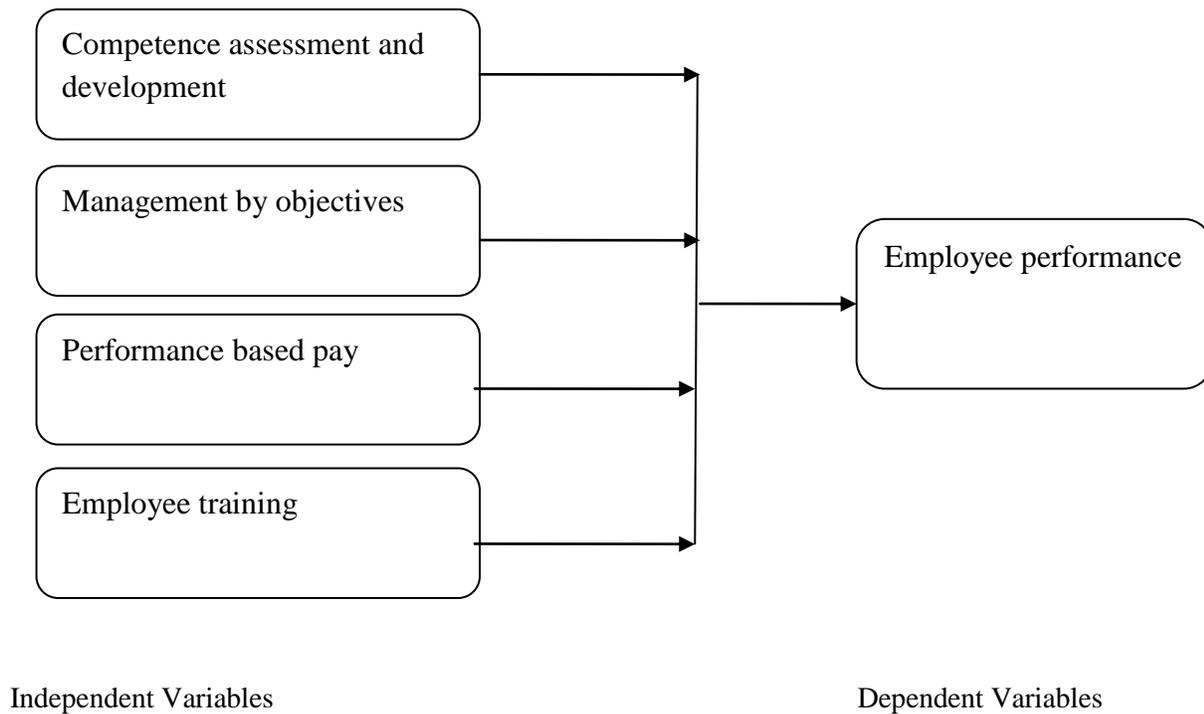


Table 3.2: Target Population

TEA FACTORY	SECTIONS	POPULATION
Githongo tea factory	Top Management	15
	Middle level management	17
	Lower level management	35
	Other staff	51
Imenti factory	Top management	15
	Middle level management	20
	Lower level management	22
	Other staff	25
Miciiimikuru Tea factory	Top management	8
	Middle level management	19
	Lower level management	20
	Other staff	31
Kiegoi tea factory	Top management	5
	Middle level management	16
	Lower level management	23
	Other staff	26

Source: Authors, 2011

Table 3.3: Sample of the Study

Tea factory	Sections	Ratio	Target population	Sample population
Githongo Tea Factory	Top management	0.2	15	3
	Middle level management	0.2	17	4
	Lower level management	0.2	35	7
	Other staff	0.2	51	10

Imenti Tea Factory	Top management	0.2	15	3
	Middle level management	0.2	20	4
	Lower level management	0.2	22	4
	Other staff	0.2	25	5
Miciimikuru Tea Factory	Top management	0.2	8	2
	middle level management	0.2	19	4
	lower level management	0.2	20	4
	other staff	0.2	31	6
Kiegoi Tea Factory	Top management	0.2	5	1
	Middle level management	0.2	16	3
	Lower level management	0.2	23	5
	Other staff	0.2	26	5
			<b>348</b>	<b>70</b>

Source: Authors, 2011

Table 4.5.1: Correlation coefficients

	Competence, Assessment, and Development (X <sub>1</sub> )	Management objectives (X <sub>2</sub> )	Performance based pay (X <sub>3</sub> )	Employee training (X <sub>4</sub> )
Employee Performance (E.P)	0.389	0.603	0.548	0.734

Source; Research data

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