European Journal of Business and Management
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
Vol.6, No.8, 2014


# Determinants of Effectiveness of Employee Performance Appraisal System in Institution of Higher Learning: A Survey of Public Universities in Nakuru County

Elizabeth Nambuswa Makokha[1*], Prof. Gregory Namusonge[1.2], Prof. Christopher Kanali[1.3], and Alice Chepkorir Milgo[1.4]

1. School of Human Resource Development, Department of Entrepreneurship and Procurement.Jomo Kenyatta University of Agriculture and Technology, P.O. Box 62000 - 00200, Nairobi Kenya
2. School of Human Resource Development, Department of Entrepreneurship and Procurement.Jomo Kenyatta University of Agriculture and Technology, P.O. Box 62000 - 00200, Nairobi Kenya
3. School of Engineering, Jomo Kenyatta University of Agriculture and Technology, P.O. Box 62000 - 00200, Nairobi Kenya
4. School of Human Resource Development, Department of Entrepreneurship and Procurement.Jomo Kenyatta University of Agriculture and Technology, P.O. Box 62000 - 00200, Nairobi Kenya

* Email: enambuswa@gmail.com

**Abstract**

A performance appraisal system is important to any organisational work performance; it determines the organization's success or failure. Several studies such as Nzuve (2007), Yee and Chen (2009) define PA as a means of evaluating employees' work performance over a given period of time. According Horsoo (2010) reports that employees viewed performance appraisal as discriminatory, punitive and judgemental processes, where cronyism and biased considerations dominated objectivity and thus ineffectiveness of the appraisal system. The main objective of the present study was to assess the effects of job related factors on the effectiveness of employee performance appraisal system in institutions of higher learning in Nakuru County. The study adopted a survey design. The study population comprised of all academic personnel in public universities Nakuru County. A sample size of 224 respondents was selected randomly from a population of 507. This number was distributed among academic staff across all the departments and sections. The instrument for collecting data was a questionnaire which was used to collect get both qualitative and quantitative data. The questionnaire was distributed amongst the all academic staff in public universities in Nakuru County. A total of 220 out of 224 academic staff completed questionnaires, which represented all public universities in the county with varying demographic backgrounds. Analysis of quantitative data was done to test hypothesis using the ANOVA and regression analysis. The results indicated that job related factors (training and development, promotion and tasks in organisation had a positive impact on the effectiveness of employee performance appraisal system among the selected institutions of higher learning in Nakuru County. An effective performance appraisal system enables organizations realize their goals as well as employees personal growth.

**Keywords:** *Employee performance appraisal system, organisational work performance*.

## 1.0 Introduction

Performance appraisal (PA) refers to a process, which studies and evaluates the job performance of personnel formally (Mondy, 2008, Najafi *et al.,* (2000)). Performance appraisal evaluates the individual overall contribution to the organization through assessment of his internal characteristics, working performance and his capability to pursue higher position(s) in an organization (Gruman & Saks, 2011). Nzuve (2007), Yee and Chen (2009) define PA as a means of evaluating employees' work performance over a given period of time. Appraisal is an effective instrument in the human resources management, which if performed correctly and logically, the organization will get its personnel to achieve their interests (Rezghi, 2000). EPAS is a key task towards managing the human resources of an organization in particular positions (Moon, *et al*., 2007).

Human resources are arguably the most valuable assets of any organization and obviously constitute the largest corporate investment (Roslender *et al.,* 2009). Employees' skills and competencies have significant bearing on organizations' productivity, profitability and continued survival (International Labour Conference, 2008). Therefore, in order to achieve corporate goals and remain in business there is the need to assess employees' job performance and device strategies to manage them in an effective manner. Performance appraisals are indispensable for the effective supervision and costing of staff (Jabeen, 2011). It is an important factor in identifying people's talents and capacities and its results can make them aware of advancements, plans and goals (Hamidi, 2010).

The issue of employees' performance in relation to achieving organizational goals has occupied the attention of managements for a long time. Differences in levels of employees' performance are attributed to differences in skill and ability in one part and difference levels of motivation in another (Boachie-Mensah and Dogbe, 2011). Inadequate skills and ability are usually rectified through training and development (Soh, 1998), while differences in motivation are corrected through appropriate motivational strategies and policies.

 

Therefore, for well- functioning organizations, the use of performance appraisal cannot be overemphasized. However, the extent to which appraisals play a valuable role in the organization depends on how it is conducted. PA is arguably an important aspect of contemporary human resource management, where each individual institution/organization sets out uniform criteria and processes, and procedures for assessing output of staff in terms of quality, quantity, cost, and time over a period, usually during the preceding year.

Performance appraisal widely used for determining wages and salaries, promotion, training and development, providing performance feedback, and identifying employee strengths and weaknesses (Mathis & Jackson, 2005; Noe, et al. 2006; Khan, 2008). Bohlander and Snell (2007), and Mathis and Jackson (2005) identified two uses of performance appraisal information: (a) developmental uses, and (b) administrative uses. Developmental uses include, providing performance feedback, identifying individual strengths/weaknesses, recognizing individual performance, assisting in goal identification, evaluating goal achievement, identifying individual training needs, determining organisational training needs, reinforcing authority structure, allowing employees to discuss concerns, improving communication, and providing a forum for leaders to help (Bohlander & Snell, 2007). Administrative uses include, documenting personnel decisions, determining promotion candidates, determining transfers and assignments, identifying poor performance, deciding retention or termination, deciding on layoffs, validating selection criteria, meeting legal requirements, evaluating training programs/progress, personnel planning, and making reward/compensation decisions (Bohlander & Snell, 2007).

Generally, PA performs three functions; to provide adequate feedback to support employees' development; to serve as a basis for modifying or changing behaviour to produce more effectively for organization; and to provide useful information to supervisors (Erdogan; 2000; Coens and Jenkins, 2002; Law, 2007). There are various traditional appraisal techniques presently used by different organizations according to their objectives. Yee and Chen (2009) identify different techniques of performance appraisal, including: ranking; trait scale; critical incident; narrative; and criteria based. Terrence and Joyce (2004) also identifies other methods of measuring staff job performance including management by objective (MBO); work planning and review; 360 degree appraisal; and peer review. Some organizations would choose the multifactorial approach, that is to "mix and match" or combine different techniques for their own performance appraisal that would meet their organizational needs. All available methods have their advantages and disadvantages. Whatever the method of an appraisal, it must effectively address a particular organization's human resource deficiencies. A well designed and an effective performance appraisal system should help the organization achieve its goals and objective if it is properly implemented. But a poorly designed appraisal system can create anxiety and sometimes can provoke the morale of employee (Chen and Mia, 2004; Mulvaney, McKinney and Grodsky, 2008).

This analysis draws on the work of Brown and Heywood (2005), and four groups of variables are included as explanatory factors in our regression equation: workforce characteristics, level of job control, complementary HRM practices and structural factors. According Horsoo (2010) reports that employees viewed employee performance appraisal systems as discriminatory, punitive and judgemental processes, where cronyism and biased considerations dominated objectivity and thus ineffectiveness of the appraisal system. This study therefore focused on analyzing determinants of effectiveness of employee performance appraisal system in selected institutes of higher learning in Nakuru County which were Egerton University and Laikipia University. The specific objective was to assess the effect of job-related factors on effectiveness of employee performance appraisal systems in institutions of higher learning in Nakuru county.

## 2.0 Effect of Job-related Factors on Effectiveness of EPAS

**Training and Development-** Training and development is one of the job related factors influencing effective performance appraisal system. It plays central role in changing behaviors of people. In business organizations this factor multiplies due to more focused activities and need of specific skills for performing a certain job and achieving a goal (Murphy, 2006). Abbott (2007) specifically concluded in his research that training and development needs arise when an employee is dealing with an issue or problem that may affect his professional development. The issue may be of any type ranging from behavioral to technical needs that leads to ineffective employee performance. Durkhiem (2009) believed that if modern society ever gets threatened then these trained professionals save the society.

**Promotion-** Promotion may be an employee's reward for good performance, which is positive appraisal. Before a company promotes an employee to a particular position it ensures that the person is able to handle the added responsibilities by screening the employee with interviews and tests and giving them training or on-the-job experience. A promotion can involve advancement in terms of designation, salary and benefits, and in some organizations the type of job activities may change a great deal. The opposite of a promotion is a demotion (Hamidi Y. (2010)).

**Tasks-** Brown and Heywood (2005) state that the expected tenure of the workforce may influence the probability of adopting a formal system of performance appraisal. In particular, the authors argue that the proportions of casual workers, women and long-tenured employees, as well as the turnover rate of the establishment, are related to the use of a formal system of evaluation. He points out that if the purpose of

 

appraisal is to promote worker identification with organisational objectives and develop human capital, a long-tenured workforce will have a positive influence on the adoption of performance appraisal. Following his argument, it is expected that workforce characteristics can be related to the measures used to evaluate performance. Milkovich and Widgor (1991) mention that a system of appraisal that pursues this goal is characterized by an "emphasis on standardization, objective measurement, psychometric properties (validity, reliability, bias, and others)". In firms of any size, performance appraisals are conducted by the immediate supervisor. While it is widely recognized in the academic literature that supervisors monitor job performance, it is less well acknowledged that they also direct employees as to which tasks to perform and how to carry them out (Mosely et al. 2010).

## 3.0 METHOD

The study employed a survey design a target population of 507 where a sample of 224 respondents were selected. The questionnaire categorized job related factors as one of the important factors influencing effectiveness of an appraisal system in higher learning institutions (Egerton and Laikipia University). This factor was subdivided into three: training and development, promotion and finally tasks nature. Training and development had four items (TD4), promotion with 3 items (P3) and task (6 items). In order to carry out appropriate analysis, variable scores for each dimension were summed up to get the total scale score for further analysis. The items scale were ordinal from a low of 1 – strongly disagrees to a high of 5 – strongly agree.

## 4.0 Results

From the study, training was selected as a critical component of employee performance. Proper and necessary training of staff while in-service like attending academic conferences, training in research and curriculum development is part and parcel of staff development initiatives in academic institutions. Results of analysis on "Training" show academic staff members who participated in the survey indicating they did receive sufficient training to do a good job, 78 percent. The response included professional training undertaken before employment and also any other in-service training provided by the university. However, 10 percent said they had not received sufficient training more probably referring to in-service training while carrying out their duties.

On the matter of quality improvement skills, 67 percent agreed to have had it. Conversely, 18 percent did not agree that they had received sufficient training on quality improvements.

Results for mentorship which traces the link between mentorship programmes and job performance indicated that a great majority of the respondents 63 percent were not mentored to improve performance. Only about 19 percent were mentored for improved performance. About 17 percent were either missing data or unsure. Mentorship programmes are necessary for employee career development.

From the study, the responses on regular training was close with 45% percent indicating no and 44 percent yes. However, a big proportion 9 percent were neutral and could therefore hold the answers to this question. Overall the response is not that impressive since the responses were average. Therefore, this matter was not clearly addressed in the study.

**Promotion** - Results on promotion policy indicated that more than half 53 percent of the sampled respondents from the two institutions of higher learning agreed to have a working policy on promotion. Together with those who strongly agreed, the figure reaches 63 percent. Those who did not think so were in total about 18 percent of the 220 respondents.

Those who are promoted usually deserve by way of position and performance. The question was whether deserving cases were promoted. What the respondents gave was that indeed promotions were fair to deserving cases, 52 percent agreed, 23 percent disagreed. Those that were not sure were 14 percent and those strongly disagreed were 6 percent. So largely promotions were fair to the respondents (55 percent).

Results indicated 44 percent agreed, 6 percent very strongly, 28 percent disagreed with 4 percent quite strongly disagreeing on promotion on merit. Therefore, up to one half of those who responded 50% agreed that merit is followed in promotions. Conversely, 32 percent did not agree. The interpretation is that confidence only lies in half of the members of academic staff about qualifications for promotion.

**Task -** Questions that were asked on the issues of tasks indicated respondents stating that, task target influence performance with 40 percent agreeing, 32 percent disagreed. About 20 percent were neutral and 5 percent strongly agreed. A clear flowing task process improves performance which then affects the way staff view performance evaluation.

Respondents were then asked whether the appraisal method was acceptable based on the tasks. Here about 34 percent disagreed while 31 percent agreed. A further 3 percent agreed strongly. There was a big group 26 percent that was unsure which is considered average on an ordinal scale. It was also important to ask the respondents whether on the basis of appraisal standards related to task, they felt the rater was fair. Results indicate that 40 percent disagreed while 27 percent agreed. Overall they did not think the rate had been fair as a result of the weakness.

 

Responses on the issue of expectations at work shows that almost 60 percent were aware of what is expected of them at work. Another 29 percent strongly agreed with this. These shows academic staffs are well aware of their duties at work. After all they are highly trained and qualified for the job they are hired to perform.

**Correlation Statistics for the dimensions of job Factors.**

A correlation coefficient table was then created to establish how the three dimensions, training and development, promotion, and task are related to the scale total. In other words, how were the dimensions correlated with job related factors? The table 1 reveals that association between training and development, promotion and task with job factors is training and development (0.614); promotion (0.49); and task (0.836). the correlations are all quite significant (0.000) with N=159. Task was leading, followed by training then promotion. This means task issues link very strongly and positively to job factors followed by training and development matters. Therefore, in order to promote job factors, attention must be paid to task, training and promotion respectively.

**Table 1. Correlations**

| | | | Training & Dev. | Promotion | Task |
|---|---|---|---|---|---|
| Spearman's rho | Job factors | Correlation Coefficient | .614** | .490** | .836** |
| | | Sig. (1-tailed) | .000 | .000 | .000 |
| | | N | 159 | 159 | 159 |

**. Correlation is significant at the 0.05 level (1-tailed).

**Regression between Appraisal System Effectiveness and Job Related Factors**

A logistic regression was used to predict the likelihood of job factors to enhance the perception of effectiveness of an appraisal system. Total scale scores for the two were used in this analysis. The equation describes log of the odds ratio in favour of employee performance appraisal system being perceived effective.

Given the logistic equation:

$$Ln = \left(\frac{pi}{1 - pi}\right) = e - z$$

Where:-

$Z = \alpha + \beta Xi + \mu i$ $\hat{y} = \alpha + \beta Xi + \mu i$ ; X = Job factors

$e^{-10.483 + 0.224x}$

Table 2, show that the likelihood of the respondent reporting appraisal is effective increases by 1.25 times when job factors improve by a unit. This shows that by enhancing job factors by a unit, increases the probability of reporting effectiveness of an appraisal system by 25 percent. At 95 percent, confidence level, the probability values would line between 15 and 35 percent.

**Table 2 .Variables in the Equation**

| | | | | | | | 95% C.I.for EXP(B) | |
|---|---|---|---|---|---|---|---|---|
| | | B | S.E. | Wald | Df | Sig. | Exp(B) | Lower | Upper |
| Step 1[a] | Job factors | .224 | .042 | 28.246 | 1 | .000 | 1.251 | 1.152 | 1.359 |
| | Constant | -10.483 | 1.861 | 31.745 | 1 | .000 | .000 | | |

a. Variable(s) entered on step 1: Job factors.

Table 3 'model summary' illustrates that job factors alone explain between 26.6 and 37.4 percent variation in effectiveness of appraisal system reported (Cox and Snell R Square and Nigelkerke R. Square).

 

**Table 3. Model Summary**

| Step | -2 Log likelihood | Cox & Snell R Square | Nagelkerke R Square |
|---|---|---|---|
| 1 | 138.208[a] | .266 | .374 |

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

## 5.0 Discussion

The present study shows that effectiveness of employee performance appraisal system in higher learning institution is equally important if only the job related factors (training, promotions and tasks) are be put into consideration. Satisfaction level with EPAS at Egerton and Laikipia universities among members of academic staff is how only 39% of respondents were satisfied while 40 percent were dissatisfied. Respondents were 169 and 51 from Egerton and Laikipia universities respectively. The objective of this study was to assess the effect of job-related factors on effectiveness of employee performance appraisal systems in institutions of higher learning in Nakuru county. Below, the major conclusions drawn from this study are discussed as follows

Employee performance appraisal system is the only tangible metric way by which an organization can know the level of performance of its diverse employees. Although most employees are aware of the EPAS used in the public universities, the conclusion to that indeed at the universities studied, satisfaction is below average, there are problems with EPAS that can be addressed more accurately to improve performance of employees. In order to predict possibility of EPAS being judged as effective, a necessary tool for improving performance, job related factors should be addressed. The elements to target should be lead by nature of task, followed by training and development and lastly promotion issues. The elements are positively and strongly related to job factors. In turn, job factor leads in influencing EPAS.

## 5.0 Conclusion and Recommendation

The study revealed that the university should have a proper training of staff while in-service like attending academic conferences, training in research and curriculum development is part and parcel of staff development initiatives in academic institutions since it is a critical component of EPAS. A high level of training and development programmes for staff and managers is hypothesized to positively and significantly improve job performance and consequently be included in an effective appraisal tool. It is important that sufficient training be done to enhance academic staff performance.

Promotions should be provided to the employees who deserve them since it help employees progress in their work. It is known to motivate employees who are ambitious and thus a fair promotion policy would enhance employee satisfaction and as a result promote productivity.

The nature of tasks based on tenure, targets, standards and expectations influences how performance is judged (Brown and Heywood, 2005). Tasks are those individual activities involved in discharging ones duties. Employees should understand their tasks and appreciate the role in the work process. A clear flowing task process improves performance which then affects the way staff view performance appraisal system.

## References

Abbott, A. (2007). *The System of the Professions*. London: University of Chicago Press.

Boachie-Mensah F, Dogbe O. (2011). *Performance-Based pay as a motivational tool for achieving organisational performance:* an exploratory case study. Intl. J. Bus. Manage.

Bohlander, G.W., & Snell, S. (2007), "*Managing Human Resources*". (14th ed.). Cengage Learning. New York.

Brown M, & Heywood J.S, (2002), *Paying for performance: an international comparison*, M. E. Sharpe Inc. Armonk: NY: M.E. Sharpe Publishers, pp. 148– 78.

Chen H.M & Min K.J (2004). *The role of human capital cost in accounting*. Journal of Intellectual capital, 5(1):116-131.

Coens T, & Jenkins M, (2002). *Abolishing performance appraisal*: Why they backfire and what to do instead. Berrett-Koekler, San Francisco,C. A. USA.

Durkheim, E. (2009). *Professional ethics and civic morals.* New York: Free Press.

Erdogan B. (2002). *Antecedents and consequences of justice perception in performance appraisals. Hum. Resource Management* Rev. 12(4): 555-578.

Gruman & Saks (2011). *Performance management and employee engagement*. Human Resource Management Review 21 123–136

Hamidi Y. (2010). *The effect of performance appraisal result on personnel's motivation and job promotion.* Australian Journal of Basic and Applied Sciences 4(9): p. 4178-4183.

 

Horsoo, S.K., (2010), Employee Performance Appraisal, Rewards and Recognitions - A Case Study of Barclays Bank of Ghana Limited, Kumasi, Institute of Distance Learning, KNUST.

International Labour Conference, 97th Session, (2008). *Skills for improved productivity, employment growth and development.* International Labour Office, Geneva

Jabeen M (2011). *Impact of performance appraisal on employees motivation*. European Journal of Business and Management, 3(4):197-204,

Jirjahn, U. (2002). *The German experience with performance related pay*. In M.

Law DR (2007). *Appraising performance appraisals*: A critical look at external control techniques. Intl. J. Reality Therapy, 16(2): 18-25.

Mathis, R.L., & Jackson, J.H. (2005), *Human Resources Management*. (3rd ed.). Thompson, Bangalore.

Mondy R (2008). *Human Resource Management*. 10th ed., New Jersey: Prentice-Hall.

Moon, C., Lee, J., Jeong, C., Lee, J., Park, S. & Lim, S. (2007), *An Implementation Case for the Performance Appraisal and Promotion Ranking*, in IEEE International Conference on System, Man and Cybernetics, 2007.

Mosley, et al. (2010), *Supervisory Management.* Dallas: Southwestern.

Mulvaney M.A, McKinney W.R, & Grodsky R, (2008). *The development of a pay-for-performance appraisal system for public park and recreation agencies*: A case study. J. Park and Recreation Admin., 26(4):126-156.

Murphy, R. (2006). *Social closure*. Oxford. Clarendon Press.

Milkovich, G. T. & Newman, J. M. (2002). *Compensation* (7th edn). Boston: McGraw-Hill Irwin.

Najafi L, Hamidi Y, Vatankhah S, Purnajaf A. (2010). *Performance appraisal and its effect on employees' motivation and job promotion.* Australian J. Basic. Appl. Sci. 4(12): 6052-6056.

Noe, R. A., Hollenbeck, J. R., Gerhart, B. & Wright, P. M. (1994). *Human Resource Management: Gaining a Competitive Advantage*. Burr Ridge, Illinois: Irwin.

Nzuve S.N.M (2007), *Management of human resources*; a Kenyan perspective, Nairobi, basic modern management consultants

Rezghi R.T (2000). *Performance evaluation system*, Tadbir Publication, No, 114.

Roslender R, Kahn H, & Stevenson J, (2009). *Recognizing workforce health as a keyorganisational asset:* a study of current thinking and practice. The Institute of Chartered Accountants of Scotland CA House, 21 Haymarket Yards Edinburgh, UK.

Soh K.B.K. (1998). *Job analysis, appraisal and performance assessments of a surgeon – a multifaceted approach.* Singapore Med J., 39(4):180- 185. PMID: 9676152

Terrence H.M, & Joyce M (2004). *Performance appraisals:* ABA labour and employment law section, equal opportunity committee.

Yee CC, Chen YY, (2009). *Performance appraisal system using multifactorial evaluation model*. *PWASET*, 41: 231-235