

**UNIVERSITY OF CAPE COAST**

**ASSESSING STAFF PERCEPTION OF CAL BANK PERFORMANCE  
APPRAISAL SYSTEM**

**CECILIA MENSAH**

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APPRAISAL SYSTEM

BY

CECILIA MENSAH

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## DECLARATION

### Candidate's declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's signature:..... Date.....

Name: Cecilia Mensah

### Supervisor's declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertations laid down by the University of Cape Coast.

Supervisor's signature:..... Date.....

Name: Dr. Kenneth S. Aikins

## ABSTRACT

Dissatisfaction with appraisal performance systems abounds and systems are often viewed by employees as inaccurate and unfair. The study was to assess staff perception of Cal Bank performance appraisal system for improved performance. The study adopted a cross sectional descriptive survey on the employees of the bank. The lottery method of the simple random sampling technique was employed in selecting one out of four corridors of the Bank's operational areas. Using questionnaires data was collected on 28 subordinates and six supervisors from the Tema corridor of Cal Bank. The Statistical Product and Service Solution (SPSS) software version 20 was used to analyze the data. The statistical tools used for the analysis and presentations of the data were bar graphs, pie charts, and frequency tables. The findings reveal that employees have an excellent understanding of the uses of the appraisal system and that the appraisal system was regarded as the source of annual salary adjustments, promotion, bonuses and nomination for training. Both the managers and subordinates perceived the main challenge with the PA system at Cal Bank as promoting favoritism and bias. The study recommended that for improving the PA at Cal Bank, the perception of favoritism and bias has to be stopped completely. Additionally, supervisors need to be mindful about the confidential roles status with regards to their reports and discuss details of the reports on individual basis with the affected subordinates.

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## DEDICATION

To my husband Dr. David Essaw and my children Papa Kobina and Ekow Adom  
Essaw.

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## CHAPTER ONE

### INTRODUCTION

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

According to Boswell and Boudreau (2002) and Coens and Jenkins (2000), organizations worldwide rely on the human resource department to perform many important functions including job analyses, personnel planning and recruiting, training and development, talent management, financial incentives, employee safety, and performance appraisals (PA). Among these human resource practices, academic scholars and business managers indicate that employee performance appraisal or performance assessment is considered the most important in the field and has been considered a key element in organizational success. In other words, performance appraisal is a vital process for organizational efficiency and effectiveness (Roberts, 2003).

Abowd (1990) notes that the science of performance appraisal is directed toward two fundamental goals: to create a measure that accurately assesses the level of an individual's job performance and to create an evaluation system that will advance one or more operational functions in an organization. Although all performance appraisal systems encompass both goals, they are reflected differently in two major research orientations: one that grows out of the measurement tradition and the other fields that focus on the organizational purposes of performance appraisal.

Within the measurement tradition, emanating from psychometrics and testing, researchers have worked and continue to work on the premise that accurate measurement is a precondition for understanding and undertaking accurate evaluation. Psychologists have striven to develop definitive measures of job performance, on the theory that accurate job analysis and measurement instruments would provide both employer and employee with a better understanding of what is expected and knowledge of whether the employee's performance has been effective. By and large, researchers in measurement have made the assumption that if the tools and procedures are accurate, then the functional goals of organizations using tests or performance appraisals will be met.

Allan (1996) adds that in a somewhat different vein, scholars in the more applied fields-human resources management, organizational sociology, and more recently applied psychology, have focused their efforts on usability and acceptability of performance appraisal tools and procedures. They have concerned themselves less with questions of validity and reliability than with the workability of the performance appraisal system within the organization, its ability to communicate organizational standards to employees, to reward good performers, and to identify employees who require training and other development activities. For example, the scholarship in the management literature looks at the use of performance appraisal systems to reinforce organizational and employee belief systems (Allan, 1996). It also helps to identify training needs of the human resource for improved organizational performance. The implicit assumption of

many applied researchers is that if the tools and procedures are acceptable and useful, they are also likely to be sufficiently accurate from a measurement standpoint.

The Banking sector is a fast growing sector in many developing countries and Ghana in particular. With swift expansion in the number of branches and the new functions assigned to them, banks are beginning to feel a new pressure on their organizational abilities i.e. the processes of recruitment, placement, training, promotion and appraisal, in order to ensure that the right number of staff with the right capacities are available at the right time and for the right places (Shrivastava & Rai, 2012). According to Bhatia (2010) the performance appraisal or review is essentially an opportunity for the individual and those concerned with their performance in the bank, most usually their line manager to get together to engage in a dialogue about the individual's performance, development and the support required from the manager. It should not be a top down process or an opportunity for one person to ask questions and the other to reply. It should be a free flowing conversation in which a range of views are exchanged.

Chowdhury (2008) argues that banking services is one sector where a great degree of attention is being paid to Performance Appraisal Systems. Several of the public sector banks (PSBs) have changed their PAS or are in the process of changing them. Zhang (2009) suggested in a study in China that in the state-owned banking industry, employees' perception of justice has a positive relationship to their overall satisfaction with both the performance appraisal process and its outcomes. However, statistically significant differences were

found in relation to whether employees had received training in performance appraisal or not.

Similarly, Shrivastava and Purang (2011) studied the differences between public and private sector banks in India with respect to perception of fairness of the performance appraisal system and performance appraisal satisfaction. Perception of fairness of the performance appraisal system has been studied through nine factors. The study used independent samples *t*-test and qualitative analysis to study the mean differences between the two banks. Results indicated that private sector bank employees perceive greater fairness and satisfaction with their performance appraisal system as compared to public sector bank employees.

Without a proper foundation, it is impossible to build a successful appraisal system. An effective appraisal system lays the groundwork and provides the manager with the necessary tools. Ten keys to an effective performance appraisal system have been suggested by Longenecker and Fink (2003). The first of these is that, effective appraisal system must clearly define why an organization conducts formal appraisals. The organizational leadership must identify and communicate to all employees as to why performance appraisals are being conducted and the specific goals. Carefully developed and clearly articulated goals will enable managers to choose appraisal criteria that support the organizational goals.

The second element of an effective PA system has to do with employees and managers involvement in appraisal system design. Effective appraisal systems include input from managers and employees about appraisal practices and the

criteria used to evaluate performance. Involvement of employees at all levels facilitates acceptance of the system and increases cooperation. When employees are allowed to participate in the design of the appraisal system their sense of ownership increases. The third element of effective appraisal system is that it requires forms that are user-friendly and easy to understand. This means that performance criteria, rating procedures, and feedback should be expressed in terms that are focused and meaningful for both managers and employees. Fourthly, an effective appraisal system cannot exist without the ongoing education or training of all key players in the appraisal process. This will help employees and managers to know how the process operates well and understand their roles.

The fifth element of effective PA system suggested by Longenecker and Fink (2003) is that at the beginning of the appraisal cycle, managers must work closely with employees to review their job descriptions and duties, set clearly defined goals, and communicate expectations of behaviors and result for which the employee will be held accountable and rewarded. Again, for appraisal to be effective, managers should provide their direct reports with ongoing informal performance feedback. This is because effective appraisal systems do not consist solely of once-a-year formal performance reviews. Failure to provide ongoing, informal feedback allows minor, easily correctable problems to grow into more serious ones.

The seventh feature of an effective appraisal system is that it allows raters to be motivated in conducting effective appraisals. An organization will never



achieve effective appraisal practices if the managers are not motivated to follow procedural guidelines and use information from training to conduct effective written and face-to-face performance reviews. Moreover, for appraisal to be effective, it must get support from top management. Support for effective appraisal practices can be demonstrated through written and oral communication with managers and employees, testimonials, videotaped messages and company newsletters. Furthermore, effective appraisal systems link performance ratings to organizational rewards. Research consistently indicates that to maximize the effectiveness of a pay-for-performance program, organizational rewards must link greater rewards to superior job performance. When employees feel that their rated performance is accurate and reflects the full range of their contributions to the organization, their motivation to perform increases. Finally, an effective appraisal system requires systems review and corrective action. It is important to systematically and regularly review system operations to make sure that processes and practices are being followed and are effective (Longenecker & Fink, 2003).

CAL Bank formerly Continental Acceptances Limited and CAL Merchant Bank Limited commenced operations in July 1990. It provides world-class financial solutions to the Ghanaian banking sector. The bank received its Universal Banking License in 2004 and soon commenced providing specialized retail banking services. With its highly skilled professional staff who emphasizes the delivery of efficient and excellent customer services, CAL Bank Limited continues to provide a broad range of banking and financial solutions to large corporations, small and medium-sized enterprises, public sector institutions and

retail customers through a network of 19 branches and over 60 offsite ATMs across Ghana (CAL Bank Information Desk Report, 2013).

### **Statement of the Problem**

Performance appraisal is one of the most common management practices utilized in organizations. The widespread use of performance appraisal can be attributed to the belief by many managers that performance appraisal is a critically needed tool for effective human resource management and performance improvement. The assumption appears to be that an effectively designed, implemented, and administered performance appraisal system can provide the organization, the manager, and the employee with some benefits (Coens & Jenkins, 2000).

In spite of its widespread use, the practice of performance appraisal systems according to the staffs of CAL Bank Limited leaves much to desired. Dissatisfaction with the appraisal performance systems abounds and systems are often viewed by employees as inaccurate and unfair. The question as to whether or not CAL bank uses the performance appraisal to identify the required training needs of staff remains unresolved. There has not been any empirical study to establish the claims by the staff of CAL Bank. It is for these reasons this study seeks to unravel the perceived disillusionment and misconception held by some staff regarding the effectiveness of the performance appraisal system at CAL Bank.

### **Objectives of the Study**

The main objective of the study was to assess staff perceptions of CAL Bank performance appraisal system for improved performance. The specific objectives of the study are to:

1. Examine employees' perceptions regarding the performance appraisal systems of their bank;
2. Examine the practice of performance appraisal systems in identifying training needs of CAL bank;
3. Evaluate the challenges in the existing performance appraisal system of the bank;

### **Research Questions**

The specific objectives listed above translate into the following research questions:

1. What are employees' perceptions regarding the performance appraisal systems of their bank?.
2. How are the practices of performance appraisal systems related to the identification of training needs of the bank?
3. What are the challenges in the existing performance appraisal system of the bank?

### **Significance of the Study**

The results of the present study will be important for a number of reasons. Firstly, the human resource department of CAL Bank can develop a clear picture

of the effectiveness of the performance appraisal system based on employees' perceptions. Secondly, the study will guide managers to correct problems, if they do exist, on a continuous basis. Thirdly, employees will also have better understanding of the status of their performance appraisal system and may provide accurate feedback to their respective departments as how to transform such systems into proactive ones. Finally, the study will serve as reference material for both students and other researchers interested in performance appraisal for organizational performance.

### **Organisation of the Study**

The study is divided into five main chapters. Chapter One covers the introduction of the study which captures the background, the problem statement, objectives, research questions, and significance of the study. Chapter Two reviews literature on overview of performance appraisal, the process and purpose of performance appraisal, employees perception of performance appraisal systems, effectiveness of performance appraisal, challenges of performance appraisal and a conceptual framework that has been adopted for the study.

Chapter Three presents the methodology. It consists of study organization, study design, study population, sample and sampling procedures, sources of data, research instrument, and analysis of data. Chapter four discusses the data collection processes and analysis of the research findings. It takes into consideration the socio-demographic background of the respondents, and pertinent issues that are important to staffs perception of CAL Bank performance

appraisal systems. Chapter Five presents the summary of findings, conclusions and recommendations of the study.

## CHAPTER TWO

### LITERATURE REVIEW

#### **Introduction**

This chapter focuses on literature review that is relevant to the study. It covers the overview of performance appraisal, the process and purpose of performance appraisal, employees' perception of performance appraisal systems, effectiveness of performance appraisal, challenges of performance appraisal and few theories that explain the concept of performance appraisal as well as a conceptual framework that has been adopted for the study. The major theories underlying the study are McGregor's (1960) theory X and Y which also relate to Maslow's hierarchy of needs.

#### **Overview of Performance Appraisal**

According to Derven (2000), few issues in management stir up more controversy than performance appraisal. There are many reputable sources - researchers, management commentators, and psychometricians - who have expressed doubts about the validity and reliability of the performance appraisal process. Some have even suggested that the process is so inherently flawed that it may be impossible to perfect it. At the other extreme, there are many strong advocates of performance appraisal. Some view it as potentially the most crucial aspect of organizational life. Between these two extremes lie various schools of belief. While all endorse the use of performance appraisal, there are many

different opinions on how and when to apply it. There are those, for instance, who believe that performance appraisal has many important employee development uses, but scorn any attempt to link the process to reward outcomes - such as pay rises and promotions. This group believes that the linkage to reward outcomes reduces or eliminates the developmental value of appraisals.

Rather than an opportunity for constructive review and encouragement, the reward-linked process is perceived as judgmental, punitive and harrowing. For example, how many people would gladly admit their work problems if, at the same time, they knew that their next pay rise or a much-wanted promotion was riding on an appraisal result? Very likely, in that situation, many people would deny or downplay their weaknesses. Nor is the desire to distort or deny the truth confined to the person being appraised (Derven, 2000).

Lawrie (2000) added that appraisers often know their appraises well, and are typically in a direct subordinate-supervisor relationship. They work together on a daily basis and may, at times, mix socially. Suggesting that a subordinate needs to brush up on certain work skills is one thing; giving an appraisal result that has the direct effect of negating a promotion is another. The result can be resentment and serious morale damage, leading to workplace disruption, soured relationships and productivity declines. On the other hand, there is a strong rival argument which claims that performance appraisal must unequivocally be linked to reward outcomes. The advocates of this approach say that organizations must have a process by which rewards - which are not an unlimited resource - may be openly and fairly distributed to those most deserving on the basis of merit, effort

and results. There is a critical need for remunerative justice in organizations. Performance appraisal - whatever its practical flaws - is the only process available to help achieve fair, decent and consistent reward outcomes (Derven, 2000).

### **The Process and Purpose of Performance Appraisal**

According to Gurbuz and Dikmenli (2007), studies show that there are many approaches for evaluating employee behaviour and performance with respect to job tasks and/or organisational culture. As a result, various applications of performance appraisal have left many managers in a state of confusion and frustration with the employee evaluation process. This situation seems to negatively impact the popularity of appraisal systems in many organisations. Most people support the concept and purpose of PA, in spite of their concerns about the process and application of appraisal outcomes by managers (Grote, 1996).

The biggest complaint from managers is that they are not given sufficient guidelines to assess people. On the other hand, the biggest complaint from employees is that the process is not equitable and fair. Performance appraisal concentrates much in assessing past behaviours of employees, a situation some managers exploit to victimize unfavoured employees (Bersin, 2008).

Scullen, Mount and Judge (2003) look at the appraisal process into the following categories: (1) Establishing job criteria and appraisal standards; (2) Timing of appraisal; (3) Selection of appraisers and (4) Providing feedback. Early PA processes were fairly simple, and involved ranking and comparing individuals with other people. However, these early person-based appraisal systems were



fraught with problems. As a result, a transition to job-related performance assessments continues to occur. Thus, PA is being modified from being person-focused to behaviour-oriented, with emphasis on those tasks or behaviours associated with the performance of a particular job (Welbourne, Johnson & Erez, 1998). Regarding the purpose of PA, Cleveland, Murphy and Williams (1989) describe four types of uses of performance appraisal: between person, within person, system maintenance and documentation. Between person uses are what have been referred to as administrative purposes, consisting of recognition of individuals' performance to make decisions regarding salary administration, promotions, retention, termination, layoffs and so forth. Within person uses are those identified in Management by Objectives (MBO), such as feedback on performance strengths and weaknesses to identify training needs and determine assignments and transfers. PA also helps in organizational goals, which are referred to as system maintenance uses. Finally, documentation purposes are to meet the legal requirements by documenting HR decisions and conducting validation research on the PA tools (Wiese & Buckley, 1998). Some organisations are attempting to meet all of these goals simultaneously while they continue to use tools that were designed for one type of purpose.

Jawahar and Williams's (1997) findings suggest that ratings collected for administrative purposes are more lenient than ratings for research or developmental purposes. Although rating scale formats, training and other technical qualities of PA influence the quality of ratings, the quality of PA is also strongly affected by the administrative context in which they are used. Effective

managers recognise PAS as a tool for managing, rather than a tool for measuring subordinates. Such managers use PA to motivate, direct and develop subordinates, and to maximise access to important resources in the organisation to improve productivity (Gurbuz & Dikmenli, 2007).

### **Employees' Perception of Performance Appraisal Systems**

Some studies have concentrated on the fairness and satisfaction of employees with regard to performance appraisal systems. This direction has led researchers and practitioners to take a more comprehensive view of performance appraisal system efficacy and evaluation of systems. One common theme of recent research is that attitudes of the system's users toward the process determine to a large degree the ultimate effectiveness of a performance appraisal system (Roberts, 2000).

Employee perceptions of fairness of performance appraisal have been shown to be linked to satisfaction with the system. Fairness of performance appraisal has been studied by a number of researchers over time. In their review of performance appraisal research, Bretz, Milkovich, and Read (1992) indicated that the most important performance appraisal issue faced by organizations is the perceived fairness of the performance review and the performance appraisal system. Their findings suggested that most employees perceive their performance appraisal system as neither accurate nor fair. Skarlicki and Folger (1997) suggest that the appraisal process can become a source of extreme dissatisfaction when employees believe the system is biased, political or irrelevant. A major problem

for organizational leaders is that the performance appraisal process and the performance evaluation system are often perceived as both inaccurate and unfair (Latham & Wexley, 1981).

Landy, Barnes, and Murphy (1998) studied employee perceptions of the fairness and accuracy of a performance appraisal system. The researchers found that frequency of evaluation, identification of goals to eliminate weaknesses, and supervisory knowledge of a subordinate's level of performance and job duties were significantly related to perceptions of fairness and accuracy of performance appraisal. Their results confirmed traditionally held perceptions that performance appraisal should be done as frequently as possible, that the supervisor should work with the subordinate to agree on responsibilities; and, that the supervisor should devote sufficient time to observe and evaluate and employee's performance.

Greenberg (1996) studied 217 private sector middle managers and asked them on an open-ended questionnaire what single factor made a recent performance evaluation fair or unfair. Factor analysis of the results indicated that soliciting employee input, two-way performance interview communication, and the ability to challenge or rebut the performance ratings account for a significant proportion of the variance in perceived efficacy of the performance appraisal system. In a study of 367 Washington state government employees, Lovrich et al., (1990), found that both ratees (58%) and raters (71%) believed that participative performance appraisal was a fairer way of conducting appraisals than non participative methods. They also found that, if given a choice, raters and ratees

would choose participative performance appraisal over a non-participative type of system.

Ahmed (1999) investigated the measure of effectiveness that a state agency uses to assess its performance appraisal function. Some of the criteria for assessment as suggested by the respondents included impact on employee motivation, employee satisfaction with the system, employee's perception regarding fairness and objectivity, and the degree to which it provides adequate and valuable feedback. Gabris and Ihrke (2000) reported that leadership credibility of immediate supervisors is significantly associated with whether employees perceive performance appraisal systems as procedurally fair and instrumentally just and appropriate. Their study of county government professionals explored this issue as well as related issues of job burnout, job satisfaction, manager innovation and cooperation between organizational units. Boswell and Boudreau (2000) found a significant positive relation between employee attitudes and procedurally just performance appraisals and underscored the importance employees place on fairness.

### **Who Should Evaluate Performance?**

According to Wayne and Casio (1996) and Noel (2004), the most fundamental requirements to qualify for this task are that a person should have an understanding of the job requirements and the opportunity to observe the ratee's job performance over a reasonable period of about six months. To them they

suggest line managers, peer assessment, subordinate assessment, self assessment, clients' assessment and computer aided assessment as the possible raters.

#### *Line manager*

Mathis and Jackson (1994) opined that the employees' immediate supervisor is the most qualified person to evaluate the employee's performance realistically, objectively and fairly. The unity of command notion comes into play here. Noe (2004) argues that the supervisor is probably the most familiar with the individual's performance and in most jobs, has the best opportunity to observe actual job performance. Price (2004) contends that the immediate supervisor is the best person to relate the individual performance to organisational and departmental objectives.

#### *Peer assessment*

According to Price (2004) this is where fellow team members, departmental colleagues or selected individuals with whom an employee has working relations provide assessments. In the view of Anthony et al. (1999) and Mathis and Jackson (1994) peer interactions are an excellent source of information about performance in a job where the supervisor does not often observe the employee. In jobs such as an outside sale, law enforcement and teaching, the immediate supervisor may observe a subordinate actual job performance only rarely and indirectly, through written reports. Noe et al., (2004) in a study reasons that peers have excellent knowledge of job requirements and

bring different perspectives to the evaluation and can provide extremely valid assessment of performance. The major disadvantage of this method is that peer bias can arise when rivalries exist between friends. However, it can be overcome by requiring input from a number of colleagues.

#### *Subordinate assessment*

The claim of Noe et al., (2004) is that subordinates reporting to the manager often have the best chance to see how the manager treats employees. Subordinates know at firsthand the extent to which the supervisor actually delegates, how well he or she communicates, the type of leadership style he or she is most comfortable with, and the extent to which he or she plans and organizes. In the view of Mathis and Jackson (1994) this approach is used mostly in large organizations and in universities and colleges where students evaluate professor's performance in the class-room. Its weakness stems from the fact that subordinates are reluctant to say negative things about supervisors unless in anonymity.

#### *Self assessment*

Price (2004) describes self assessment as individuals assessing themselves against rating criteria or targeted objectives. Mathis and Jackson (1994) support indicated that it is a self development tool that force employees to think about their strengths and weaknesses and set goals for improvement. Noe et al., (2004) point out that no one has a greater chance to observe the employee's behavior on the job than does the employee. The opportunity to participate in the performance

appraisal process, particularly if appraisal is combined with goal setting, improves the ratee's motivation and reduces her or his defensiveness during the appraisal interview. The obvious problem with self rating is that individuals have the tendency to be more lenient, more biased, and to show less agreements with the judgments of others. to overcome this, self appraisal should not be used for administrative purpose but for counseling and development.

#### *Clients assessment*

According to Anthony et al., (1999) the customer is in a perfect position to provide performance feedback in service organizations. Noe et al., (2004) extends this idea when they observed that services are often produced and consumed on the spot, so the customer is the only person who directly observes the service performance and therefore, may be the best source of performance information. They stated again that this form of evaluation is relevant both in determining employee performance and for helping to determine whether the organization can improve customer service by making changes in the Human Resource Management (HRM) activities such as training and compensation. The weakness of this approach is the high cost involved in its implementation.

#### *Computer aided assessment*

Anthony et al., (1999) indicated that, Computer Aided Assessment involves the use of computers to monitor, supervise, and evaluate employee performance electronically. They stated that evidence abound that employees

spend a lot of time unsupervised by their bosses. Noe, et al., (2004) continues that companies use personal computers to monitor productivity and other performance measures electronically. The benefits of computerised assessments include response-outcome dependency, effective feedback vehicle, and objective documentation. Despite these benefits, some law makers have viewed it as a serious invasion of privacy.

### **Effectiveness of Performance Appraisal**

Murphy and Cleveland (1991) noted that extensive systematic research has not been conducted on the evaluation of the success or efficacy of new or existing performance appraisal systems in an organizational context. Evaluation of the success of a performance appraisal system is recommended as part of the system implementation and management process. However, comprehensive research of the evaluation of performance appraisal system in a field setting is scarce. This may be due in part to the complex nature of the systems involved and in selecting proper evaluation criteria. Murphy and Cleveland (1991) further advised that the effectiveness of all human resource systems including performance appraisal need to be evaluated. Murphy and Cleveland indicate that problems with currently available methods for evaluating performance appraisal systems represent some of the most pressing problems facing practitioners.

Bernardin, Hagan, Kane and Villanova (1998) also suggest that the practice of evaluating performance is inadequate. Researchers have identified components that suggest a greater likelihood of successful performance appraisal



system than if these same components were absent. Mohrman and Lawler (1999) state that the following key items are part of an appraisal system: Appraisal tools and methods; the degree of fit between other features of the organization and the appraisal system; the system design; the proper introduction of the system; and, training of individual system users. The authors state the performance appraisal process must be designed to match the organization's goals and the type of work that is performed. They believe that one of the most critical factors in effective performance appraisal is clearly defining the purpose of the appraisal system.

Possibilities include monetary compensation, career planning, documentation of staffing changes, work load evaluation, counseling and development and training. In their description of a complete appraisal system, Mohrman and Lawler (1999) include the following components: 1) two performance appraisal cycles that deal with immediate feedback and long-term career issues; 2) a decision about who defines performance; 3) how performance will be measured; 4) who will measure performance; 5) what method will be used to gather performance information; and 6) effective feedback that is timely correctly and delivered by the appropriate person. Appraisals should be timed so that they coincide with job characteristics and avoid peak periods of activity. The performance appraisal system needs support from top management to generate the requisite commitment from middle managers.

An appeal process for employees to question or challenge their evaluation results lends credibility to the appraisal system. Summary of the scholarship (Bernardin & Beatty, 1984; Murphy & Cleveland, 1995) points towards the

following five areas as measures of an effective performance appraisal system. These include: 1) Determines pay; explains and communicates pay decisions; 2) Provides the subordinate with development information and support; 3) Fosters mutual task definition and planning of future work goals; 4) Documents and recognizes subordinate's performance; and 5) Allows the subordinate to provide feedback about feelings, supervision and definition of work.

Other variables that may influence performance system effectiveness include the type of performance standards employed, the frequency of evaluation the presence of written administrative procedures; and existence of appeals (Bernardin & Beatty, 2004; Latham & Wexley, 2001; Roberts, 2000). Bernardin and Beatty (2004) have concluded that when the following criteria are met, performance appraisals are most likely to be perceived by employees as accurate and fair: a) Appraisals are conducted frequently; b) There is a formal system of appraisal; c) Supervisors have a high degree of job knowledge; d) Ratees have an opportunity to appeal ratings; e) Performance dimensions are seen to be highly relevant; f) Action plans are formed for dealing with present weaknesses; and f) The organizational climate is cooperative rather than competitive.

Martin and Bartol (1998) discuss the need to monitor a performance appraisal system to keep it responsive to the needs of the organization. The major actions required to maintain a performance appraisal system include three major categories: controlling the system; monitoring the system; and furnishing feedback to those who use the system. Control of the system includes the more

technical aspects of the system such as rating techniques, rating periods, rater training, and development of performance standards.

Monitoring the system can include a review of the quality of performance standards; evaluation of the actual conduct of the appraisal process and interview; and, analysis of the intended, perceived and actual use of the system. Other factors in monitoring the system include review of the actual quality of ratings to check for rater biases, inconsistencies, rating inflation and investigation for any adverse impact as a result of the system. The third primary area to monitor is that of the amount and quality of feedback generated as part of the performance appraisal process.

DeVries, Morrison, Schullman and Gerlach (2004) make the case for evaluating performance appraisal systems based on a ratio of cost to potential outcomes. Costs include that of system development, system introduction and system maintenance. Major outcomes include meeting the intended goals of the system and achieving organizational acceptance. One of the most difficult aspects of assessing (or creating) a performance appraisal system is to identify a finite set of appropriate goals for the system. They also state the need for informed participants at all levels throughout the organization to know why and how they are to do performance appraisal. Mohrman and Lawler (1993) argue that researchers should concentrate on how performance appraisal systems are perceived by organizational members to improve performance appraisal accuracy. Further, they suggest that organizations examine the uses of performance

appraisal information to determine if the uses and functions are conducive to accurate performance appraisal.

Giles and Mossholder (1990) argue that while the context in which appraisal occurs has been designated as a source of considerable influence in the appraisal process, relatively little research has been conducted on the environmental issues. The researchers attempted to extend the development of measures that assess contextual aspects of performance appraisal; to investigate relationships between system contextual variables and employee reactions to performance appraisal; and, to assess the extent to which system contextual variables were related to employee satisfaction. The study confirmed that commonly used reaction scales of fairness, satisfaction, perceived utility and perceived accuracy did indeed represent appraisal reactions. Murphy and Cleveland (1995) referred to employee reaction to appraisals as one class of neglected criteria that might be considered in evaluating performance appraisal systems. Employee reactions to performance appraisal systems are usually better indicators of the overall viability of a system than the more narrow psychometric indices such as leniency and halo.

According to Keeping and Levy (2000) employee reactions toward performance appraisal may be considered important for a number of reasons. First, reactions are of great interest to practitioners. Second, while reactions have been theoretically linked to determinants of performance appraisal success and acceptance they have been overlooked in the research. These issues are both within the context of the gap between research and practice that has been noted in

the performance appraisal literature. Reaction to performance appraisal is critical to the acceptance and use of a performance appraisal system. It may even contribute to the validity of a system. Keeping and Levy (2000) state that reaction criteria are almost always relevant, and an unfavorable reaction may doom the carefully constructed appraisal system.

Tziner, Prince and Murphy (1997) measured political considerations in performance appraisal to determine the extent to which distortions in ratings were present. Their study investigated evidence that rating inaccuracy has more to do with deliberate volitional distortion of ratings than lack of training or ability. Deliberate distortion of ratings includes raters' conscious efforts to produce ratings that will achieve personal goals such as avoiding negative consequences; avoiding confrontations or bad feelings with employees; or portraying the image of a caring boss.

Tziner and Murphy (1999) studied the attitudes of managers towards performance appraisal and their organizations. Raters who showed low levels of confidence with the system were more likely to rate employees unusually high and to fail to discriminate well among rates. Raters who showed higher levels of attitudinal commitment or who perceived more risks associated with distorting ratings tended to give lower ratings and to discriminate more between raters and/or dimensions. Keeping and Levy (2000) examined the measurement of performance appraisal reactions. They investigated how well commonly used reaction scales, representative of those used in the field, measured the substantial constructs of satisfaction. They found that these scales did a "favorable" job of

measuring appraisal reactions. In addition, they found that the data also fit a higher order appraisal reactions model. Among the reactions investigated were satisfaction (with the system and session), fairness (procedural and distributive justice) perceived utility and perceived accuracy.

Tziner, Murphy and Cleveland (2001) reported that attitudes and beliefs toward the organization and about the appraisal system affect how ratings are done and how feedback is handled. These attitudes and beliefs have an influence on the accuracy and usefulness of ratings. Their finding showed that beliefs about the performance appraisal system and rater orientation toward the system explained tendencies to give higher versus lower ratings and to discriminate between ratees and rating dimensions. Thomas and Bretz (1994) conclude that performance appraisal continues to be a vexing human resource challenge that the academic research world has not adequately addressed. The focus of academic research on appraisal accuracy, rating errors, or an understanding of the cognitive processes used in the appraisal process are not considered by practicing managers to be major organizational concerns.

### **Challenges of Performance Appraisal**

Cederblom and Pemeerl (2002) argue that supervisors and employees generally have ambivalent attitudes, at best, toward performance appraisal. Although most would recognize the perceived benefit, in principle, of documenting, communicating, and setting goals in areas of performance, many are also frustrated concerning the actual benefit received from performance

appraisal in their organizations. The benefits and rewards of performance appraisal appear to be often overstated. Nickols (2007:14) suggests that “the typical performance appraisal system devours staggering amounts of time and energy, depresses and demotivates people, destroys trust and teamwork and, adding insult to injury, it delivers little demonstrable value at great cost”. The findings of several studies addressing the challenges of performance appraisal and the consequences of performance appraisal that is not done well are summarized subsequently.

Oberg (1972) mentions several pitfalls that are common to performance appraisal systems: (a) they demand too much from supervisors, (b) standards and ratings vary widely and sometimes unfairly, (c) personal values and bias can replace organizational standards, (d) employees may not know how they are rated due to lack of communication, (e) the validity of ratings is reduced by supervisory resistance to give the ratings - particularly negative ratings, (f) negative feedback can demotivate employees, and (g) they interfere with the more constructive coaching relationship that should exist between superiors and their employees.

Bretz, Milkovich, and Read (1992) found that organizations continue to do things that undermine the effectiveness of the appraisal process. Little time is spent on the appraisal process, raters are not trained and are not held accountable, and the employee’s role in the process is overlooked along with potentially valuable sources of performance information from the employee, peers, and subordinates.

Murphy and Cleveland (1995) found that there are a number of ways that performance appraisal can hurt an organization. First, the system can overemphasize the work of the individual and underemphasize the work of the team. Second, performance appraisal can often send mixed messages about the most and least important aspects of job performance and about the importance of performing well. Third, performance appraisal is often a source of discontent for the manager and the employee being appraised.

In a research study conducted by Longenecker (2005), several consequences of ineffective performance appraisals were identified. They included stifling performance improvement, demotivating managers, breeding loss of managers' confidence, causing a loss of managerial focus on priorities, causing the breakdown of pay-for-performance systems, reducing effectiveness of management development efforts, creating tension in work relationships with supervisors, and causing ineffective goal setting.

Longenecker's (2005) conclusion was that when performance appraisal is done well, it is an effective tool for increasing managerial effectiveness. However, when it is done poorly, it is a dysfunctional organizational practice and has many negative results. Gray (2002) gives five reasons why performance appraisal fails. The first is that, many appraisal programs are implemented without appropriate training for the managers giving the appraisals. Secondly, performance appraisal encourages mediocrity by encouraging safe behavior as opposed to risk-taking because managers set unchallenging goals to ensure they meet their goals. Thirdly, most work in organizations is the result of a group effort rather than



individual work so individual performance appraisal is not a meaningful way to measure performance. The fourth reason is that supervisor bias can cause inaccuracies in the appraisal feedback. Finally, performance appraisal does not provide protection from legal issues dealing with discrimination and, when not done well, it can actually be a detriment to the organization when faced with legal challenges by its employees.

The person who arguably had the most influence in shaping the view that performance appraisal was not an effective tool to lead and manage organizations was Deming (1986). He contends that performance appraisal has significant negative drawbacks for organizations and he urges organizations not to use individual performance appraisal but rather evaluate the performance of a unit or department instead. Deming wrote about common cause for error in organizations and argued that organizations that can eliminate common cause for error will improve. He further stated that most common cause for error is found within organizational systems rather than with the individuals within the organization. Another significant factor that Deming gave for organizational success was maintaining a positive organizational environment and that it was the responsibility of the organization's leaders to drive out fear from within the organization.

Deming (1986) suggested that there is a normal distribution of employee performance within an organization with 95 percent of all organizational employees working for the success of the organization. The remaining five percent of all employees have serious problems and difficulties. Deming said that

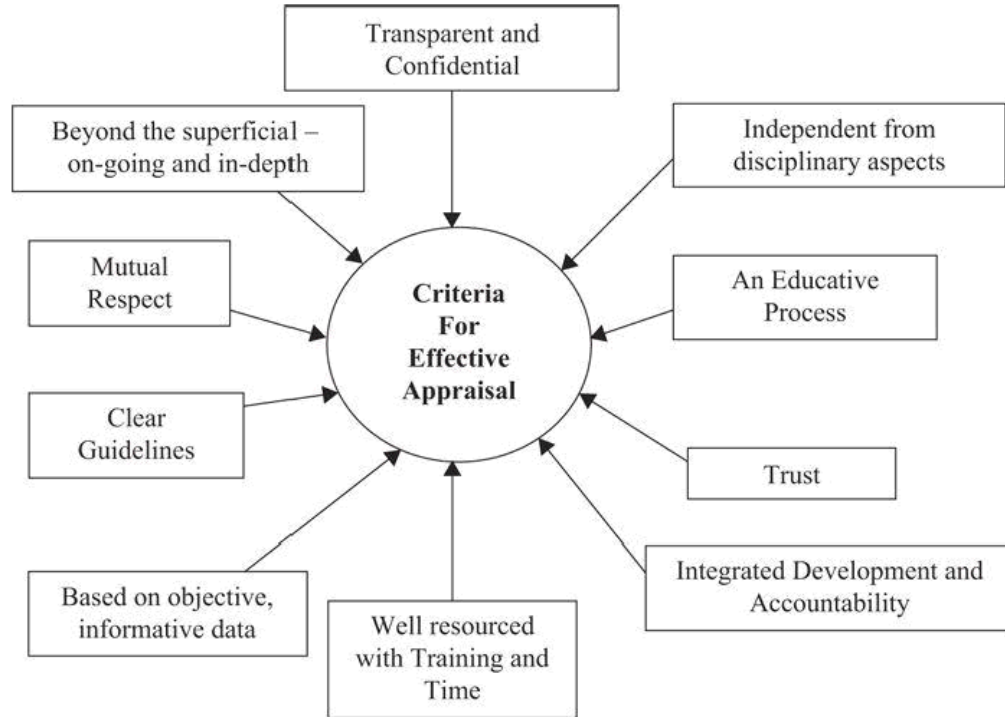
organizations use the performance appraisal process unnecessarily to evaluate all the employees rather than using the process for only the five percent that are having specific problems. An additional problem occurs when organizations use performance appraisal to determine pay-for-performance, a process that he felt contributed to fear and competition within the organization, because individuals are singled out for increased rewards whereas in reality most work is done by groups of people. A disciple of Deming, Peter Scholtes, went so far as to say that performance appraisal, at best, does not work, and in the worst scenario, it can damage morale within the organization. It is interesting to note that while Deming's ideas on performance appraisal have received some attention in practitioner appraisal literature, they have not received any attention from researchers (Scholtes, 1993).

The notion of no individual feedback seems unrealistic because even without formal appraisal, informal feedback by team leaders and peers will most likely occur, and it could be less systematic and more subject to biases. To summarize the challenges facing performance appraisal, at one extreme are those people who have expressed doubts about the validity and reliability of the performance appraisal process. As we have just seen, some have even suggested that the process is so inherently flawed that it may be impossible to perfect it. At the other extreme, there are many strong advocates of performance appraisal and some view it as a very critical aspect of organization life (Lawrie, 1990). Roberts (1998) defined the two extremes concerning performance appraisal as running from "blind advocacy to outright vilification". In between these two extremes

there are varying schools of thought and belief. While most people advocate the use of performance appraisal, there are many different opinions on how and when to apply it.

### **Conceptual Framework**

Piggot-Irvine's (2003) features of an effective appraisal system model were adopted for the study (Figure 1). This model is to help clearly establish what the cultural tenets of a PA process should look like. It appears predicated on an assumption that it could be applied to any organisational context, whereas Boice and Kleiner (1997) assert the need for a contingency-based approach. Respect, openness and trust are highlighted as the most important elements from the model (Appelbaum, Roy & Gilliland, 2011), suggesting that they should be present at all times between managers and employees, going on to state that to facilitate these elements, feedback should be given regularly - a view corroborated by Kuvaas (2011).



**Figure 1: Features of an effective appraisal system**

**Source:** (Piggot-Irvine 2003, cited in Appelbaum et al, 2011)

## **CHAPTER THREE**

### **RESEARCH METHODS**

#### **Introduction**

This chapter deals with the research methodology that was adopted for the study. It covers study organization, study design, study population, sample and sampling procedures, sources of data, research instrument, and analysis of data and ethical consideration.

#### **Study Design**

According to Aina (2004), research design provides a general framework for the collection of appropriate data. The study design was to a large extent, descriptive (qualitative) and exploratory and to a limited extent quantitative. It was mainly descriptive because the nature of the topic required description of staff perceptions of CAL Bank performance appraisal system and suggest ways for improvement. Neuman (1997) has stated that the goals of descriptive research are to provide an accurate profile of a group or an organization, give verbal and/or numerical picture, find information to stimulate new explanation, provide basic background information and document information that contradicts or supports prior belief about a subject.

To be able to undertake this study, the researcher adopted a cross sectional descriptive survey on the employees of the bank. It was cross-sectional because the study cut across different branches of the Bank, categories of staff and

departments. Cross-sectional studies according to Creswell (2003) may use questionnaires or structured interview for data collection. It was also partly quantitative because figures were assigned to some of the data collected (i.e. the responses) and computations done to make it easier not only to conceptualize qualitatively but also to understand quantitatively.

### **Study Population**

CAL Bank Ghana Limited operates in four corridors: Accra, Kumasi, Tema and Sekondi Takoradi. Each branch within the corridor has managers and supervisors who do performance appraisal each year. The process is used in all the branches. The study population comprised all the 36 staff of CAL Bank Limited in the Tema Metropolis. There are 19 branches of the Bank located across Ghana.

### **Sample and Sampling Procedures**

With a network of 19 branches and over 60 offsite ATMs across Ghana one out of the four corridors was selected using the lottery method of the simple random sampling technique. The four corridors were written on pieces of paper, put in a bowl, mixed well and Tema corridor was randomly selected. There are two branches in Tema with a total number of 36 staff. Subordinate staff were 28 and 6 were supervisors/managers. Given the total number of staff a census was used.

### **Sources of Data**

Two different types of data were used in this study. They consisted of primary and secondary data. In terms of the primary data, the researcher collected data through self-administration of questionnaires to elicit views, opinions about the topic from the respondents. The secondary data consisted of information from journals, magazines, reports, books and information from the internet that were relevant to the study. Additional secondary information was gotten from the Cal Bank Ltd.

### **Research Instrument**

Questionnaires were relied upon for the data collection because the respondents were literates. These were self-administered to the respondents. The questionnaires consisted of the likert scale items and open-ended questions. Some of the statements were posed both in the positive and the negative voice and the respondents were asked to agree or disagree with the statement. The questionnaire consisted of four sections.

The first section collected information on demographic data of the respondents who agreed to participate in this study. The second section collected information on the policy framework for performance appraisal as well as on employees' perceptions regarding the performance appraisal systems of the bank. The third section sought information on the challenges of the appraisal system of the bank and suggestions for improvement.

### **Data Processing and Analysis**

The Statistical Product and Service Solutions (SPSS) software version 20 was used to analyze the data. The questionnaires were sorted according to the category of respondents that is, subordinates and supervisors. The background information was first analyzed, followed by objectives of the study. The statistical tools used for the analysis and presentations of the data were bar graphs, pie charts, and frequency tables. These methods were used for the data analysis in order to give the study a more scientific orientation.

### **Ethical Considerations**

An introductory letter seeking permission to carry out the study was sent from the Department of Accounting and Finance of the University of Cape Coast to the managers of the bank. After consent was granted, the questionnaire was distributed to the respondents. They were assured of anonymity and confidentiality.



## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### **Introduction**

This chapter deals with the results and discussions based on the data collected from the field survey and is presented in relation to the objectives of the study. The discussion is based on the demographic characteristics of respondents, employees' perceptions regarding the performance appraisal systems, the practice of performance appraisal systems and the challenges in the existing performance appraisal system of the bank.

#### **Demographic Characteristics of Respondents**

The demographic data was collected on gender, age and educational levels. This was to ensure that all the key characteristics of respondents were well represented. The study employed a sample of 28 subordinate staff of CAL Bank and six managers. Three of the managers were females while the remaining three were males and over 83 percent had master's degrees. Half of them were in managerial role and the other half were in supervisory roles. Most of the managers (66.7%) had 1-4 years of experience in their roles even though some 33.3 percent had over nine years of working with CAL Bank. Apparently Bank staff could progress easily to managerial levels without much difficulty.

The discussion that follows presents findings in relation to gender, age and educational levels of subordinate staff.

*Gender*

The sample of subordinate staff consisted of 53.6 percent male and 46.4 percent female. Even though the majority (53.6%) of respondents were males, this was not surprising given the nature of labour participation rates in Ghana with more males than females.

*Age*

The age categories of respondents ranged from 25 years to 50 years as shown in Table 1 and Figure 2

**Table 1: Age of subordinate staff**

Category	Frequency	Percentage
25	3	10.7
26-30	16	57.5
31-35	6	21.4
41-45	1	3.6
46-50	2	7.2
Total	28	100.0

Source: Field Survey, Mensah (2014)

The majority of subordinate staff were in the age category 23-30 (57.1%) with the 31-35 year category in second position at 21.4 percent. This suggests that the bulk of respondents were in their early career year and thus capable of evaluating their progression through appraisal ratings. Altogether 79.2 percent were below 40 years of age implying they could work for over 20 years before

retiring. In this respect, an improved appraisal system will enhance their morale for organisational performance.

### *Education*

Education qualifications determine the rate of progression on the job as the potential for rising to managerial or supervisory levels. Three educational qualification levels were identified as shown in Table 2.

**Table 2: Educational qualification of subordinate respondents**

Levels	Frequency	Percentage
HND	3	10.7
First Degree	22	78.6
Masters	3	10.7
Total	28	100.0

Source: Field Survey, Mensah (2014)

Note: HND is Higher National Diploma

The majority (78.6%) subordinate employee respondents had degree qualifications while (10.7%) each has either higher national Diploma of polytechnic education or masters level qualification from various universities. Since most managerial and supervisory position required higher degrees, it is obvious some respondents were well on the route for the career progression they desired. The majority degree holders were thus dependent on an objective appraisal system to identify their training needs as become upwardly mobile.

### **Employee Perception of Performance Appraisal in CAL Bank**

The first specific objective of the study was to examine employee perceptions regarding the performance appraisal system of CAL Bank. Under this theme the study sought from both managers and subordinates their views on the nature and regularity of the appraisal system. Twenty-seven (96%) employees agreed that the Bank practiced performance appraisal and 92.9 per cent intimated that they had indeed been appraised. Only one person had not ever been appraised. For managers, all had their performance appraised by their immediate boss.

This varies with their subordinates who were either evaluated by the immediate boss (82.1%) or the supervisor boss (17.9%) which in reality amounts to appraisal by a more knowledgeable person about bank business. The nature of the appraisal system for subordinates may best be understood by the question; what is your understanding of performance appraisal to which several perceptions were displayed as revealed in Table 3.

**Table 3: Understanding of performance appraisal**

Perception	Frequency	Percentage
A review or evaluation of employee's performance of assigned duties as responsibilities	22	78.6
The grading of performance at the workplace and how to improve the future	5	17.9
No response	1	3.6
<b>Total</b>	<b>28</b>	<b>100.0</b>

Source: Field Survey, Mensah (2014)

The findings reveal that-employees have an excellent understanding of the uses of the appraisal system. Over 78 percent perceived it to be a review or evaluation of their assigned duties and responsibilities while 17.9 percent saw it as a grading of performance and how to improve it. These findings are in line with Murphy and Cleveland (1995) assertion that performance appraisal is an evaluation of appraisees assigned duties and how to improve future performance.

For subordinates, the extent of involvement of their supervisors in setting performance standard was also probed. Only 25 percent averred that their supervisor were not involved as shown in Table 4.

**Table 4: Extent of involvement in setting standards expectation of employee**

Responses	Frequency	Percentage
Fully involved	12	42.9
Involved	9	32.1
Not involved	7	25.0
Total	28	100.0

Source: Field Survey, Mensah (2014)

The responses from Table 4 reveal that the majority of subordinates (75%) perceived their supervisors as somewhat involved in setting performance standard for them. This finding is consistent with Bernardin and Beatty (2004) conclusion that performance appraisals are perceived by employees as accurate and fair when supervisors have a high degree of job knowledge and performance standard setting. In reality bank work is explicitly clear and this may be attested to by the 25 percent who perceived non-involvement of their supervisors as an indication of the remoteness or indirect use of appraisal measurement criteria across board, regardless of who is actually evaluating.

Nevertheless as a result, 96.4 percent of subordinates could claim they had clear idea of what is expected of them while only 3.6 percent claimed not to have a clear idea. This perception of clear idea of specific expectations was explored further by the request to state the specific result expected of individual jobs. The entire responses generated on these specific result expected in an individual's job are revealed in Table 5.

**Table 5: Specific results expected of individual's job**

Responses	Frequency	Percentage
Accounts management and Banking development	8	28.6
Meeting projections	5	17.9
Ongoing excellent customer care	5	17.9
Adhering to the Bank's core values	4	14.3
No response	4	14.3
Ensuring that inward and outward cheques are cleared	1	3.6
N/A	1	3.6
Total	28	100.0

Source: Field Survey, Mensah (2014)

The majority of responses were of a general nature such as meeting projections and targets and adhering to the Banks guidelines and core value (32.2%) while specific mention was made of excellent customer care (17.9%) clearing of cheques (3.6%) and accounts management and business development (28.6%), which, apparently, many regarded as the main expectation made of them. The responses show that the performance appraisal system is tuned to achieve specific results. This is in conformity with the main appraisal or motivation theories-X and Y used in this study which demonstrates how human behavior and motivation are main priorities in the workplace in order to maximise outputs.

The regularity with which performance appraisals are conducted turned out to be a bit more contentions. There were different suggestions as to when this should be effected as revealed on Table 6.

**Table 6: Regularity with which PA should be conducted**

Regularity	Frequency	Percentage
Annually	15	53.6
B1- annually	7	25.0
Quarterly	5	17.9
Monthly	1	3.6
Total	28	100.0

Source: Field Survey, Mensah (2014)

The majority obviously were satisfied with the prevailing annual ritual (53.6%) but other views were also widely held including a bi – annual appraisals (25.0%) quarterly and even monthly (3.6%). The appraisal process is rather lengthy and involves a major administrative effort. It may not thus be as easy to conduct monthly and quarterly appraisal rituals as the question as to time spent designing monitoring and evaluating appraisals could be spent on other processing matters.

Despite the evidence of contrary views to conducting appraisal more annually, only 14.3 percent of employees had ever received training on how appraisal is conducted. Some 85.7 percent had no such training and 82.1 percent would want to receive refresher training. For those trained already 7.1 percent attributed such training to their immediate boss while 10.7 percent attributed it to the HRM manager. What is clear is that training on the PA is not a systematic feature of the appraisal system. This findings support Gray's (2002) conclusion



that many appraisal programs are implemented without appropriate training for the managers giving the appraisals.

Another element of appraisal systems in general is feedback resulting from the exercise. Only 3.6 percent subordinates disagree that feed back should be given after assessment as shown in Table 7.

**Table 7: Performance feedback should be given after assessment**

Responses	Frequency	Percentage
Strongly agree	14	50.0
Agree	13	46.4
Disagree	1	3.6
Total	28	100.0

Source: Field Survey, Mensah (2014)

A clear majority of 96 percent of subordinates agreed that feedback from the appraisal should be given. The initiative for involvement and feedback was at the discretion of management and not a systematic feature of the appraisal system.

In summary, the PA system in place at CAL Bank, involves subordinates and their supervisors and employees appear to have the right attitude towards the role of appraisal in organisations such as raising its importance in achieving results. They would however prefer to have some training on its conduct. Feedback is a necessary component in any appraisal system but apparently the feedback was not an in-built feature but based solely at the discretion of the appraisal managers.

### Performance Appraisal and Training Need Identification

The second specific objective was to examine the relationships between performance appraisal and the identification of training needs of the bank. In the study, PA was regarded as the source of annual salary adjustments (35.2%) promotion (42.9%), bonuses (53.6%) and nomination for training (21.4%). The nomination for training was perceived to be based on other factors such a training needs identification (25.0%) and recommendation by immediate boss (42.9%).

The role of the appraisal system in the nomination for training then seems contentious. Respondents were requested to mention three things that were working well with the performance appraisal system. However, the identification of training needs did not rank first as shown in Table 8.

**Table 8: Three things working well with the PA system**

Items	Frequency	Percentage
Renewal exclusion	1	3.6
Knowledge about target to be achieved	11	39.3
Improves work efficiency	10	35.7
Training needs identification	4	14.3
Its transparent and objective	2	7.1
Total	28	100.0

Source: Field Survey, Mensah (2014)

The identification of training result fell into third position at 14.3 percent as one of the three things working well with the appraisal system. Clearly, the objective of the PA system is not perceived as overtly related to training results but to the job efficacy. Nevertheless, training appears important to the Bank and is one of the three things working well. The identification of training needs appraisal seems to be mediated by other factors.

Managers appear to perceive this issue differently. While they agree with subordinates on the use of appraisal reports for salary adjustment (33.3%) promotion (33.3%) bonuses (100%) and nomination for training (66.7%), the training needs provided rather ranked high, indeed first, as one of the three things working well with the PA system as shown in Table 9.

**Table 9: Manager perception of three things working well with PA system**

Items	Frequency	Percentage
Training needs provided	2	33.3
Transparency and objectivity	2	33.3
Makes Bank work more efficiently	1	16.7
Knowledge about targets to be achieved	1	16.7
Total	6	100.0

Source: Field Survey, Mensah (2014)

Thus, for managers, even though other factors seem to be at play such as confidential reports and automatic adjustment of salary as well as

recommendation by immediate boss, the training needs provided as a result of the PA system is one of the things working well with the PA system.

### Challenges in PA System

The third specific objective was to assess the challenges in the PA system of the bank. This theme was explored by a direct request to both managers and employees to mention challenges associated with the PA system at the bank. For employee, emphasis was on the tendency of the system to promote favoritism and bias as shown in Table 10.

**Table 10: Challenges associated with the PA system of CAL Bank as perceived by subordinators**

Challenges	Frequency	Percentage
Promotes favouritism and bias	15	53.6
Some staff grievances not addressed	4	14.3
Does not directly address the problem of promotion	3	10.7
Time for review too limited	3	10.7
Feeling of anxiety waiting for outcome	1	3.6
No response	2	7.1
Total	28	100.0

Source: Field Survey, Mensah (2014)

A majority of employees (53.6%) perceived the main challenge with the PA system as its promotion of favoritism and biasedness. Related to favoritism

and biasness in the perception that some staff grievances are not addressed (14.3%) while the PA system is seen by 10.7 percent of employees as not directly addressing the problem of promotion within the time frame which is also regarded by 16.7 percent of subordinates as too limited. Other challenges include the feeling of anxiety while waiting for the outcome of the appraisal (3.6%) and 7.1 percent did not respond.

The challenges mentioned here are common to appraisal system as cited by Ederblom and Permarly (2012) as well as Nichols (2007). Obeng (1972) mentions specifically the pitfalls in PA that demand too much from supervisors and standards and ratings vary widely and sometime unfairly. Besides personal values and bias can replace organizational standards. These findings are identical to the perception of subordinates who, may tend to blame raters for their ratings. For managers, the challenges associated with PA system at CAL Bank is similar as shown in Table 11.

**Table 11: challenges associated with PA system as perceived by managers**

Challenges	Frequency	Percentage
Promotes favoritism/biasedness	2	33.3
Does not directly address the problem of promotion	2	33.3
Some finance not addressed	1	16.7
Feeling of anxiety waiting of appraisal	1	16/7
Total	6	100.0

Source: Field Survey, Mensah (2014)

Again the majority view of managers is that the system promotes favoritism and biasedness and does not directly address the problem of promotion (33.3% each respectively). The fact that some grievances are not addressed (16.7%) and the anxiety factor mentioned by subordinates are also echoed here by 16.7 percent of managers.

The ambivalent attitude suggested system by Cederblom and Permg (2002) appears to be at work here. Apparently raters agree with each other in ways documented in the literature. However, there is a possibility that the managers genuinely have the stated difficulties with the performance appraisal system.

### **Suggestion for Improving PA System**

The fourth and final specific objective of the study sought to make appropriate recommendation towards improving the performance appraisal system of CAL Bank. Appropriate recommendation need to rely on the experiences and perception of the employees themselves. Accordingly, both subordinates and managers were asked to make suggestions. Subordinate suggestion overwhelmingly sought to address the perception of favoritism and bias built into the appraisal system as revealed in Table 12.

**Table 12: Subordinates suggestion for improving the performance appraisal system at CAL**

Suggestion	Frequency	Percentage
Remove elements of favoritism or bias	10	35.7
Concerns raised must be duly addressed	8	28.6
More education about the purpose of the PA	2	7.1
There should be better incentive for outstanding performance	2	7.1
Subordinates should be made to appraised supervisors	1	3.6
Should be done bi-annual	1	3.6
NR	4	14.3
Total	28	100.0

Source: Field Survey, Mensah (2014)

Quite a sizeable number of respondents (35.7%) suggested that elements of the PA system that promote favoritism and bias should be removed. Over 28 percent thought all concerns must be duly addressed and these included, as previously mentioned, staff grievances, problem of promotion and feelings of anxiety during waiting periods. Some 7 percent would prefer better incentives for outstanding performance as well as more education on the purpose of PA. It may be remembered over 80 percent of subordinates had no training on the appraisal system and would have wanted a refresher training on it. Over three percent each suggested subordinate also appraised supervisor and that the appraisal to be conducted bi- annually.

These suggestions for employees in subordinate position imply that despite all the previous statements regarding the desirability of the PA exercise the challenges remain a major concern.

Managers were also requested to make suggestion and surprisingly made the similar observations as shown in Table 13.

**Table 13: Managers suggestion for improving the performance appraisal system at CAL**

Suggestion	Frequency	Percentage
Remove elements of favoritism/bias	3	50.0
Concerns raised must be duly addressed	2	33.3
There should be more education on the purpose of the PA	1	16.7
Total	6	100.0

Source: Field Survey, Mensah (2014)

The suggestion emanating from the managers re-echoed those of the subordinates. There was some concern for the removal of elements that promoted favoritism and bias (50%) as well as suggestions that concerns expressed earlier must be addressed.



## CHAPTER FIVE

### SUMMARY CONCLUSIONS AND RECOMMENDATIONS

#### Introduction

This chapter provides a summary of the main objectives of the study, method for data collection and analysis. It also highlights the main findings and conclusions. The chapter ends with recommendations and suggestions for further research.

#### Summary

Dissatisfaction with the appraisal performance systems abounds and systems are often viewed by employees as inaccurate and unfair. The main objective of the study was to assess staff perception of CAL Bank performance appraisal system for improved performance. The study adopted a cross sectional descriptive survey on the employees of the bank. Using questionnaires, data was collected on 28 subordinates and six supervisors from the Tema corridor of CAL Bank. The Statistical Product and Service Solution (SPSS) software version 20 was used to analyze the data. The key findings of the study were:

1. The findings reveal that-employees have an excellent understanding of the uses of the appraisal system and can confirm as being accurate or fair as literature suggest.
2. Again, on the issue of perceptions, many perceived the PA to be a review or evaluation of their assigned duties and responsibilities while a few saw it as a grading of performance and how to improve it.

3. Similarly, both the managers and subordinates perceived the main challenge with the PA system at CAL Bank as promoting favoritism and bias.
4. Moreover, the nomination for training was perceived to be based on other factors such a training needs identification and recommendation by immediate boss.
5. In relation to objective two, the role of the appraisal system in the nomination for training seems contentious. While managers agree with subordinates on the use of appraisal reports for salary adjustment, promotion, bonuses, the training needs as an outcome of PA process was rather ranked high on the part of the managers.
6. In the study, PA was regarded as the source of annual salary adjustments, promotion, bonuses and nomination for training.
7. Employees agreed that the Bank practiced performance appraisal and that all employees both supervisors and subordinates have been appraised by their immediate bosses.
8. Suggestions for improving the PA system by both the subordinates and managers include need to address the perception of favoritism and bias.

## **Conclusions**

It is clear that a performance appraisal system is in place at CAL Bank and that it basically consists of an annual exercise that involved staff and their

immediate superiors. Clearly also the appraisal system is used to confer salary increases, promotions and bonuses. What is not clear is the use of the system to influence training needs which any good appraisal would reveal through feedback. Training needs identification and its consequent-study leave -appears to be subject to extra-appraisal issues including confidential reports, personal attitudes and the support of superiors. Amongst the challenges to the PA system is the perception that it is not fairly done and that it has an in-built element of favoritism and bias. Suggestions for improving the PA system hinge on the correction of issues that affect the efficacy of the system including the favouritism and bias recognized earlier.

### **Recommendations**

In spite of the usefulness of appraisal systems in organizations, at CAL it is clear appraisal feedback is lacking or limited in use. Feedback is the basis of most organizational decisions and there is a perception that isolated or irrational decisions are implemented in CAL without scientific basis. The following are recommended.

1. CAL Bank Human Resource (HR) department must thus ensure that its appraisal system for staff is valid and devoid of perceptions of bias and favouritism.
2. The feedback system in CAL Bank should also lead to certain benefits which should be clearly spelt out including its use as the first point for

determining eligibility and that confidential reports of superiors also play a role.

3. CAL Bank must take immediate steps to address the negative perceptions of staff on the PA. This could be done through circulars to all departments.
4. CAL HR must align training and capacity to staff appraisal needs to enhance responsiveness of the bank to staff appraisal needs and expectations.

### **Suggestions for Further Study**

It is suggested that future studies involve other banks to determine the efficacy of appraisal systems across banks.

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## APPENDICES

### QUESTIONNAIRE FOR SUPERVISORS/MANAGERS

This questionnaire has been designed to elicit information on performance appraisal system of Cal Bank. The information you provide will be used solely for academic exercise. Any information that you provide will be strictly treated confidential. Please do not write your name or identify yourself on any part of the paper. Tick (✓) or write responses where applicable.

#### Section A: Personal Information

Please tick (✓) where it is appropriate.

1 Age

a) 25	b) 26-30	c) 31-35	d) 36-40	e) 41- 45	f) 46 - 50	g) 51- 55	h) 56- 60
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2 Highest Academic Qualification

a) Higher National Diploma	b) Degree	c) Masters	d) PhD
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3 Gender

a) Male	b) Female
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4 Do you currently fulfill a managerial or supervisory role? (people reporting to you)

a) Managerial	b) Supervisory
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6 How many years have you been in this role?

a) 1-4	b) 5-8	c) 9- 12	d) 13 -16	e) 17-20	f) Above 20
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7 How many years have you worked with Cal Bank ?

a) 1-4	b) 5-8	c) 9- 12	d) 13 -16	e) 17-20	f) Above 20
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8 Has your performance ever been appraised?

a) Yes	b) No
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9 Who evaluates you?

a) Immediate Boss	b) Peers
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10 What is your understanding of performance appraisal?

.....  
.....  
.....  
.....

11 How regularly should performance appraisals be conducted?

a) Annually
b) Bi annualy
c) Quarterly
d) Monthly
e) Other, specify

12 Do you evaluate your subordinate at Cal Bank?

a) Yes	b) No
--------	-------

13 Since when have you been assessing your subordinate?

.....

14 Do you set performance target for your subordinate?

a) Always
b) Sometimes
c) Rarely
d) Never

15 Are the subordinates involved in setting the performance target?

a) Always
b) Sometimes
c) Rarely
d) Never

16 How do you engage them?

- a) I sit with them to set the target
- b) They submit self determined target
- c) I set it and read it to them

- d) They present proposal and we discuss
- e) Other, specify.....

17 Have you ever received training on how appraisal is conducted?

a) Yes	b) No
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18 If no would you want to be given refresher training on performance appraisal?

a) Yes	b) No
--------	-------

19 If yes who trained you?

- a) Immediate Boss    b) HR Manager    c) Consultant    d) other, specify.....

20 Performance appraisals is very essential at Cal Bank

- a) Strongly agree    b) Agree    c) Disagree

21 Performance appraisal reports meet the deadline of management?

- b) Strongly agree    b) Agree    c) Disagree

22 If you do not agree to the above, what could be the cause?

- a) Completion of the forms take time
- b) Subordinates are always busy
- c) Short period for assessment and reporting
- d) All staff must be assessed before reports submitted

23 Which of the following is/are used for annual salary adjustment?

a) Automatic adjustment	b) Filling of incremental forms	c) Appraisal reports	d) Confidential reports
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24 Promotion depends on

a) Number of years served	b) Filling of incremental forms	c) Appraisal reports	d) Confidential reports
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	forms		
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25 Annual bonuses is paid based on

a) Appraisal report	b) Number of years served	Other, specify.....
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26 Nomination of staff for training is based on

a) Appraisal report	b) Training needs identification	c) Recommendation by immediate Boss	d) Other, specify.....
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27 Mention three things that is working well with performance appraisal system?

- 1.....
- 2.....
- 3.....

28 Mention three challenges associated with the performance appraisal system of Cal Bank?

- 1.....
- 2.....
- 3.....

29 What suggestion would you offer to improve the performance appraisal system of Cal Bank?

- 1.....
- 2.....
- 3.....

THANK YOU



### QUESTIONNAIRE FOR SUBORDINATES

This questionnaire has been designed to elicit information on performance appraisal system of Cal Bank. The information you provide will be used solely for academic exercise. Any information that you provide will be strictly treated confidential. Please do not write your name or identify yourself on any part of the paper. Tick (✓) or write responses where applicable.

#### Section A: Personal Information

Please tick (✓) where it is appropriate.

2 Age

a) 25	b) 26-30	c) 31-35	d) 36-40	e) 41- 45	f) 46 - 50	g) 51- 55	h) 56- 60
-------	----------	----------	----------	-----------	------------	-----------	-----------

2 Highest Academic Qualification

a) Higher National Diploma	b) Degree	c) Masters	d) Nil
----------------------------	-----------	------------	--------

3 Gender

a) Male	b) Female
---------	-----------

4 Department/section/unit.....

5 Does Cal Bank practices performance appraisal?

a) Yes	b) No
--------	-------

6 Has your performance ever been appraised?

a) Yes	b) No
--------	-------

7 Who evaluates you?

- a) Immediate Boss
- b) Superior Boss
- c) Self appraisal

8 Since when did they start appraising your performance?.....

9 What is your understanding of performance appraisal?  
.....  
.....

10 How has your supervisor involved you in setting the performance standards expected of you?  
a) Fully involved b) involved c) not involved.

11 Do you have a clear idea of what is expected of you?

a) Yes	b) No
--------	-------

12 If yes briefly state the specific results expected of your job  
.....  
.....

13 If no how do you know your contributions to the Bank's overall objectives?  
.....  
.....

14 How regularly should performance appraisals be conducted?

a) Annually
b) Bi annually
c) Quarterly
d) Monthly
e) Other, specify

15 Performance appraisal guides you towards achieving your target?

a) Strongly agree b) Agree c) Disagree

16 Have you ever received training on how appraisal is conducted?

a) Yes	b) No
--------	-------

17 If no would you want to be given refresher training on performance appraisal?

a) Yes	b) No
--------	-------

18 If yes who trained you?

b) Immediate Boss    b) HR Manager    c) Consultant    d) other, specify.....

19 Performance appraisals is very essential at Cal Bank

c) Strongly agree    b) Agree    c) Disagree

20 At what time of the year is your target set for you?

a) Beginning of the year  
 b) mid year  
 c) at the end of the year  
 d) other, specify.....

21 Performance appraisal reports meet the deadline of management?

d) Strongly agree    b) Agree    c) Disagree

22 If you do not agree to the above, what could be the cause?

e) Completion of the forms take time  
 f) Subordinates are always busy  
 g) Short period for assessment and reporting  
 h) All staff must be assessed before reports submitted

23 Performance feedback should be given after assessment

a) Strongly agree    b) Agree    c) Disagree

24 Which of the following is/are used for annual salary adjustment?

a) Automatic adjustment	b) Filling of incremental forms	c) Appraisal reports	d) Confidential reports
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25 Promotion depends on

a) Number of years served	b) Filling of incremental forms	c) Appraisal reports	d) Confidential reports
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26 Annual bonuses is paid based on

a) Appraisal report	b) Number of years served	Other, specify.....
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27 Nomination of staff for training is based on

a) Appraisal report	b) Training needs identification	c) Recommendation by immediate Boss	d) Other, specify.....
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28 Mention three things that is working well with performance appraisal system?

- 1.....
- 2.....
- 3.....

29 Mention three challenges associated with the performance appraisal system of Cal Bank?

- 1.....
- 2.....
- 3.....

30 What suggestion would you offer to improve the performance appraisal system of Cal Bank?

- 1.....
- 2.....
- 3.....

THANK YOU