

**EVALUATION OF PERFORMANCE APPRAISAL TOOL ON EMPLOYEE  
PERFORMANCE IN KENYA COMMERCIAL BANK, NAIROBI COUNTY**

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## DECLARATION AND APPROVAL

### Declaration by the Candidate:

This project is my original work and has not been presented for examination in any other university. .

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This project has been submitted with our approval as the University Supervisors.

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## **DEDICATION**

This research work is dedicated to my family for all their tremendous support and unflinching love shown to me all through my academic pursuit.

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## **ABSTRACT**

Performance appraisals improve the work performance of employees by helping them realize their full potentials in carrying out their firm's mission and also, to provide information to employees and managers for use in making work-related decisions. They provide feedback to employees; determine training and development needs, numbers to be promoted as well as the levels of motivation. Performance appraisals, however, are beset with difficulties as a result of their complex nature. The general objective of the study therefore, was to evaluate the performance appraisal tool on employees' performance in Kenya Commercial Bank. The research design used in the study was descriptive research design because it was appropriate for the achievement of the research objectives. The population for the study was 355 and a sample size of 107 was selected using cluster sampling method to group the target population according job titles. The study applied purposive sampling to select Nairobi County because of easy of accessibility. Questionnaires were used as instruments for the study and 107 questionnaires were distributed to the members of staff and subordinate as the respondents. The data was analyzed using descriptive analysis. Organized data was interpreted on account of concurrence and standard deviation to objectives using a computer package SPSS version 21. The researcher in addition used correlation analysis and a multiple regression analysis to determine the relationship between dependent and independent variables and their level of significance. The research was based on Attribution Theory, Implicit Theory, Equity Theory and Expectancy Theory. The information obtained from this study provided commercial bank Human Resource Managers and decision makers with better insights into employee performance appraisal programs that could be used to improve employee performance.

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## **LIST OF ACRONYMS**

<b>BARS</b>	Behaviorally Anchored Rating Scale
<b>BOS</b>	Behaviorally Observation Scales
<b>CEO</b>	Chief Executive Officer
<b>HRM</b>	Human Resource Management
<b>KCB</b>	Kenya Commercial Bank
<b>MBO</b>	Management by Objective
<b>NACOSTI</b>	National Commission for Science, Technology and Innovation

## DEFINITION OF KEY TERMS

**Evaluation:** Refers to the process of judging performance of an employee based on established criteria to bring about change in the behavior of those receiving the information.

**Levels of Motivation:** Levels of Motivation refer to the combined personal, social, organizational and inherent factors that drive an employee to perform to agreed job standards or exceed these, on a continual basis.

**Performance appraisal:** The systematic process of determining the merit, value, and worth of an employee's current performance and estimating his/her potential level of performance with further development.

**Performance:** It is that which an employee does on the job. Performance depends upon the employee competence, abilities, and talents as well as upon the context within which the employee works.

**Professional development:** They are activities that enhance professional career growth and job competency.

**Employee evaluation:** The process of determining how well an employee has fulfilled his/her teaching responsibilities by using a variety of methods of data collection.

**Employee Promotion:** This is a way of motivating employees by giving higher position to the employee, which carries high status, more responsibilities and higher status. Promotion means advancement of employee in terms of pay and status also improvement in working conditions.

## **CHAPTER ONE: INTRODUCTION**

### **1.0 Introduction**

This chapter covers the background information of the study, the statement of the problem, the purpose of the study, the specific objectives, the research questions, the significance of the study, the scope of the study, limitation of the study and delimitations of the study.

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

Commercial banks play important roles in worldwide economies and their employees are the best sources of delivering good services to their customers. Excellent services provided and offered by employees can create a positive perception and ever lasting image in the eyes of banks customers. The motivation of a bank's employee plays a major role in achieving high level of satisfaction among its customers (Thomas, 2012).

The financial services industry is one of the most competitive and highly globalized sectors due to the largely extensive use of information technology systems by firms operating in the sector. Despite the fact that information technology has become the bedrock of all companies in the financial sector at the global level, human capital still remains the driving force in the highly digital financial services industry, because not all the functions performed by financial institutions can be undertaken solely by electronic devices such as automated teller machines (ATM), computers or other similar devices. Where even electronic devices can, financial institutions still need to recruit and retain some level of qualified and self-motivated staff to operate the machines and remain competitive in the current globalized and turbulent financial services industry. This can only be achieved through performance appraisal process. (Dessler, 2008),

The success of any organization depends on the quality and characteristics of its employees. It is arguably agreed upon by many managers across the globe that

performance appraisal is a fundamental and important management tool that an employer has at his/her disposal. Research has established that performance appraisal carried out properly and in good faith, help to fine tune and reward employees Bach (2005). After conducting PA the employer is able to give feedback to employees on time which help them to work on their weaknesses.(Marchington and Wilkinson, 2005). Feedback involves communication to an employee or a team of people with regard to their behavior on the customer, organization, another person or a group of people. Feedback should be timely, specific, frequent and consistent. It is believed that constructive feedback alerts an employee to an area in which his/her performance needs to improve. Performance appraisal is very important within an organization; it helps to evaluate the staff according to their tasks in order to ensure they conduct their job at a required standard which will effect on the compensation. In addition, it's significant to identify their skills, performance and to know there weakness and how to improve it within the department targets (Kamencu and Omboi, 2011).

Employee development combined with positive feedback limits organization liability. It has been observed that certain jobs require training and certification for an employee to successfully execute the minimum requirement in relation to their job position. Positive feedback and training helps in limiting liability in case of human error, particularly on the part of these employees. It is therefore important that HR professionals to limit organizational liability by training employees and consistently providing feedback to the employees (Armstrong & Baron 2008)

Employee Development is one of the most important functions of Human Resource Management. Employee development means to develop the abilities of an individual employee and organization as a whole. Therefore, there is a direct relationship between Employee Training and Development and Employee Performance. When employees are

more developed, they become more satisfied with the job, more committed with the job and the Organizational performance is increased. When organizations are contributing towards the employee development activities, the employees work hard; utilize their full skills and efforts to achieve the goals of the organizations. (Abbas and Yaqoob, 2009)

Motivation is the force that energizes, direct and sustains a person's effort towards the achievement of a goal. A highly motivated person will work hard towards the achievement of organizational goal, given the ability and adequate understanding of the job. Therefore, the challenge for today's management is to administer motivational programmes which will encourage employees to improve their work performance and productivity. When using human beings to provide services, it is not enough to merely rely on the number of people engaged, their qualification and experience or their ability but remunerating them appropriately is also of paramount importance. The personnel engaged must be motivated in order to get the best output from (Mooney, 2009)

Many organizations in Kenya have adopted the Performance Appraisal Process as one of the main methods used for performance improvement. A direct outcome of that massive adoption is recognition and understanding of the effectiveness of quality Performance Appraisal Process and organizational human resource development. The institutions need to evaluate the programs of performance appraisal to achieve justice and equality among employees. This can be done in order to raise the enthusiasm and competition among employees and to uncover the talent for the future. (Gruman and Saks, 2010)

The evaluation system in most organizations in Kenya does not achieve its objectives because there are no consequences to the evaluation. It is of no value, just a waste of effort, time and money. Performance appraisal is used as a standard to plan promotions, empowerment, salary revisions and identifying training and development needs. The

success of every appraisal system depends on the key results of such tool. Good result is impossible without giving importance to employee value. Employee will always look forward to finishing a job with enthusiasm if they are given appropriate recognition or reward for doing a good job. People will be more creative and willing to extend a mile of their time and will always work at their best (Lillian et al, 2011)

### **1.1.1 Profile of Kenya Commercial Bank**

Performance appraisal at KCB has existed for many years and has revolved largely around an annual review of the targets set at the beginning of the year and the actual achieved at the end of the year. Such appraisal has been restricted often to historic performance, and has not typically sought to adopt a strategic approach. The concept of performance management, however, is an evolution of the latter which adopts a future-oriented strategic focus and is applied to all employees in a workforce in order to maximize their current performance and future potential. (KCB HRM, 2015)

Kenya commercial bank has been using two approaches of performance appraisal i.e. the traditional approach which is mainly concerned with the overall organization; while secondly, developmental approach which views the employees as individuals and has been onward looking through the use of objective setting. The performance appraisal using traditional approach was generally used for promotion purposes of the KCB employees, feedback to employees and reward assessments. On the other hand, developmental approach performance appraisal puts in those additional purposes like providing employees the opportunity to properly designate the direction of the employee's aim, showing organizational interest in employee development and providing satisfaction and support to the employees who has been trying to perform well.( KCB HRM, 2015)

The appraisal methods used today are based on Graphic rating scales such as behaviorally anchored rating scales (BARS), behavioral observation scales (BOS), mixed standard rating scales and management by objectives (MBO). However, appraisals are judged to have a positive effect on organizational climate and employee's behavior, but they also may have a negative effect on motivation, role participants and turnover when they are poorly planned or administered leading to poor organizational performance. KCB like any other organization faces challenges of job satisfaction. (KCB HRM, 2015)

Performance appraisal at the Kenya commercial bank tend to be backward looking, concentrating on what had gone wrong rather than looking forward to future development needs. Based on its results, Employees are also counseled, demoted or identified for lay off which demotivates the employees left to work in the bank. KCB Ltd has the widest network of banking outlets and as at September 2011 it was the largest financial services organization in East Africa. This naturally means it has the largest number of employees. but has experienced long queues with customers taking too long to be served, staff leaving the organization for various reasons. (CBK, 2013) It is therefore crucial that we study the evaluation of performance appraisal on employee performance as regards the employees of KCB.

## **1.2 Statement of the Problem**

The Kenya Commercial Bank limited group is the largest financial services in East Africa, with an asset base estimated at over US\$2.5 Billion. Kenya Commercial Bank has implemented performance appraisal policy to enhance employee productivity. However, KCB has had fluctuating growth rates for the last four years i.e. it grew by 10.01% in 2012, 17.5% in 2013, 14.88% in 2014 and 16.47%.9 in 2015 (KCB Financial report, 2015). This reveals mixed results about employee productivity since the growth

rate need to be constantly increasing over the years if performance appraisal plays its role in making important decisions concerning the organization.

Kenya commercial Bank has been using performance appraisal but most of their employees leave the organization seeking jobs in other organization creating high employee turnover (KCB, 2013). Kenya Commercial Bank Limited has undergone a restructuring program that has seen mid-level and top level managers being trimmed as part of the strategy of cutting cost and consolidating posts to boost performance. This creates interest on the purpose of performance appraisal at Kenya's largest bank by asset size. If management does not promote, train, motivate and give feedback to employees based on performance appraisal, problems are bound to arise leading to industrial strike actions such as go slows which are evidenced by long queues at the banking hall, low commitment to work, low morale and low productivity of goods and services as indicated by the financial report (KCB HRM, 2015). Najeeb (2011) studied Performance Appraisal in Habib Bank Limited and concluded that transparent appraisal system is vital to an organization and the results of the appraisal affect the performance of any employee heavily, hence the justification of this study.

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

#### **1.3.1 General Objective**

To evaluate performance appraisal tool on employee performance in Kenya Commercial Bank.

#### **1.3.2. Specific Objectives**

- i. To establish how levels of employee feedback mechanisms influence employee performance at the Kenya Commercial Bank Nairobi County.
- ii. To determine the extent to which training and development affect employee performance at the Kenya Commercial Bank Nairobi County.

- iii. To ascertain how employee promotions influence employee performance at the Kenya Commercial Bank Nairobi County.
- iv. To assess how the levels of motivation of employees affect employee performance at the Kenya Commercial Bank Nairobi County.

#### **1.4. Research Questions:**

- i. To what extent do the levels of employee feedback mechanisms influence employee performance at the Kenya Commercial Bank Nairobi County?
- ii. To what extent does employee training and developed affect employee performance at Kenya Commercial Bank Nairobi County?
- iii. How does employee promotion influence employee performance at the Kenya Commercial Bank Nairobi County?
- iv. Do the levels of motivation affect employee performance at the Kenya Commercial Bank Nairobi County?

#### **1.5. Significance of the Study**

The findings of this study were useful to the management of Kenya Commercial Bank in understanding the successes and challenges of the appraisal process and its effect on staff performance. The findings of this study were valuable to policy makers in the area of human resource management in their bid to ensure employee development. This study provided commercial bank Human Resource Managers and decision makers with better insights into employee performance appraisal programs that could be used to improve employee performance. The study contributed to the existence literature relating to employee performance appraisal adopted by various banks in Kenya. The study extended the knowledge on the performance appraisal where future researchers and scholars can review and identify areas for further research.

### **1.6 Scope of the Study**

This study evaluated performance appraisal on employee performance at KCB Nairobi County in Kenya. Research will be carried out at the KCB Headquarters in upper Hill. The research will investigate the levels of employee feedback, Employee numbers trained and developed, employee number promoted and the employee levels of motivation. The researcher will obtain information from all cadres at the KCB. The study will be carried out between March and April 2017.

### **1.7 Limitations of the Study**

In pursuit of this study, several limitations were experienced. The first one was the cost in terms of time, effort and finances to carry out an extensive research. The second one was to obtain accurate information because of fear of victimization on the part of the respondent.

### **1.8 Delimitations of the Study**

The study on evaluation of performance appraisal on employee performance was restricted to the Kenya commercial banks within Nairobi region due to time and financial limitations. The respondents were assured that the information given for the purpose of the study will be treated confidential and will only be used for the purpose of study.

### **1.9 Assumptions of the Study**

The study was based on the following assumptions;

- i. The respondents would willingly give their honest opinions on the questions asked.
- ii. The sample size was a true representative of the target population.
- iii. The study assumed that the researcher was granted access to all the information needed and the Kenya commercial bank would be interested to adopt the

findings of the study to improve the employees' appraisal mechanisms in the long run.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.0 Introduction**

This chapter summarizes the information from other researchers who have carried out studies on performance appraisal programs. The influencing variables include levels of employee feedback mechanisms, the number of promotions, employee training and development and the level of motivation of employees. The influence of every variable on employees' performance is discussed in detail.

### **2.1 Theoretical Review**

Armstrong and Murlis (2004) define reward management as “the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization. According to Erasmus et al(2005), monetary factors such as a high salary can inspire someone to be highly motivated only up to a certain extent. Beyond that, other “self-actualization” and motivational reasons such as recognition, status, greater individual growth or responsibility, which are referred to as intrinsic remuneration, may be required to keep an employee loyal and passionate about the organization they work for or their job in addition to extrinsic remuneration.

Promotion is the advancement of an employee from one job position to another job position that has a higher salary range, a higher level job, and, often, more and higher level job responsibilities. Extrinsic remuneration is normally related to the benefits received by the employee in addition to his or her actual jobs basic salary. This is further separated into financial rewards and nonfinancial rewards. Financial rewards may include: Performance related rewards such as commission, performance bonuses, merit awards, share options, incentive schemes, achievement awards and membership awards such as pension, retirement benefits, medical insurance, sponsored holidays, a

subsidized canteen and vehicle allowance or allocation. On the other hand Non-financial rewards may include: Status rewards such as prime office location, choice of furnishings, reserved parking area, a personal assistant or public recognition while Social rewards may include praise, compliments, dinner invitations and an active involvement in social events (Armstrong & Baron, 2008).

Management can make use of different tactics, strategies and policies to motivate employees in work settings, but different tactics, strategies and policies would have a different motivational impact on diverse people. Motivation level acts as driving force that leads employees towards its goals. It is assumed that linking performance with reward increases the levels of performance in both public and private sectors and commits them to the appraisal process (Prowse & Prowse, 2009).

According to Desler (2008), the ratees should be given feedback on their competence and overall progress within the organization. The feedback should be specific and timely and be against the predetermined performance expectations. It's within the employees' rights to know how they are progressing in performing the assigned tasks .Employee training and their development have outmost importance for the sake of improving the productivity, which leads towards gaining competitive advantage (De Nisi and Griffin, 2008)

### **2.1.1 Attribution Theory**

Attribution theory is concerned with how individuals interpret events and how this relates to their thinking and behavior. Heider (1958) was the first to propose a psychological theory of attribution, but Weiner and colleagues (e.g., Jones et al, 1972; Weiner, 1974, 1986) developed a theoretical framework that has become a major research paradigm of social psychology. Attribution theory assumes that people try to determine why people do what they do, i.e., attribute causes to behavior. A person

seeking to understand why another person did something may attribute one or more causes to that behavior.

Weiner focused his attribution theory on achievement (Weiner, 1974). He identified ability, effort, task difficulty, and luck as the most important factors affecting attributions for achievement. Attributions are classified along three causal dimensions: locus of control, stability, and controllability. The locus of control dimension has two poles: internal versus external locus of control. The stability dimension captures whether causes change over time or not. For instance, ability can be classified as a stable, internal cause, and effort classified as unstable and internal. Controllability contrasts causes one can control, such as skill/efficacy, from causes one cannot control, such as aptitude, mood, others' actions, and luck.

Attribution theory is closely associated with the concept of motivation. Attribution theory has been used to explain the difference in motivation between high and low achievers. According to attribution theory, high achievers will approach rather than avoid tasks related to succeeding because they believe success is due to high ability and effort which they are confident of. Failure is thought to be caused by bad luck or a poor exam, Weiner's Three-Dimensional theory of attribution has implications for employee. An employer should give the employees specific feedback, letting them know that you know they can improve and how they can about it. This, in theory, will help prevent them from attributing their failure to an innate lack of skill and see that success is controllable if they work harder or use different strategies (Dessler, 2008)

### **2.1.2 Implicit Person Theory**

This theory was put forward by Solomon Asch in mid-1940. According to a study by Makinson (2000) implicit theories of ability influence aspects of self-regulation including the goals that people set, their level of self-efficacy, the resilience of their self-

efficacy following setbacks and their performance on complex decision-making tasks. However, no published studies, to our knowledge, have examined the effect of managers' implicit theories on their judgments of others. Implicit theories can be domain specific, pertaining particularly to areas such as ability, morality, or personality. Chiou (2009) argued, however, that judgments about others are more likely to be influenced by a person's implicit person theory (IPT), that is, his or her domain-general implicit beliefs about the malleability of the personal attributes (e.g., ability and personality) that define the type of person that someone is, as well as how he or she behaves. In the present series of studies we investigated the potential role of IPT in the revision of a manager's performance appraisal judgments. This is an important issue in organizational psychology because failure by managers to recognize a significant decrease in the performance of a medical surgeon, a paramedic, a security guard, an airline pilot, or a nuclear power plant operator, for example, could be catastrophic. Similarly, failure to acknowledge a significant improvement in the behavior of an employee can lead to employee frustration, resentment, and withdrawal.

### **2.1.3 Equity Theory**

Equity theory of motivation, developed in the early 1960's by J. Stacey Adams, recognizes that motivation can be affected through an individual's perception of fair treatment in social exchanges. Adams' equity theory is based on a ratio consisting of inputs to outcomes. Inputs consist of contributions by an individual. An attribute is only considered an input if it is perceived as relevant by the individual. Inputs can include abilities, effort, performance, age, seniority, education, and other attributes. Outcomes are the rewards an individual receives for their inputs (Adams, 1963).

Equity Theory proposes that a person's motivation is based on what he or she considers being fair when compared to others (Redmond, 2013). As noted by Gogia (2010), when

applied to the workplace, Equity Theory focuses on an employee's work-compensation relationship or "exchange relationship" as well as that employee's attempt to minimize any sense of unfairness that might result. Because Equity Theory deals with social relationships and fairness/unfairness, it is also known as The Social Comparisons Theory or Inequity Theory (Gogia, 2010).

#### **2.1.4 Expectancy Theory**

The expectancy model states, "People are motivated to work when they expect to achieve things they want from their jobs. A basic premise of the expectancy model is that employees are rational people. They think about what they have to do to be rewarded and how the rewards mean to them before they perform their jobs" (Armstrong and Murlis, 2004)

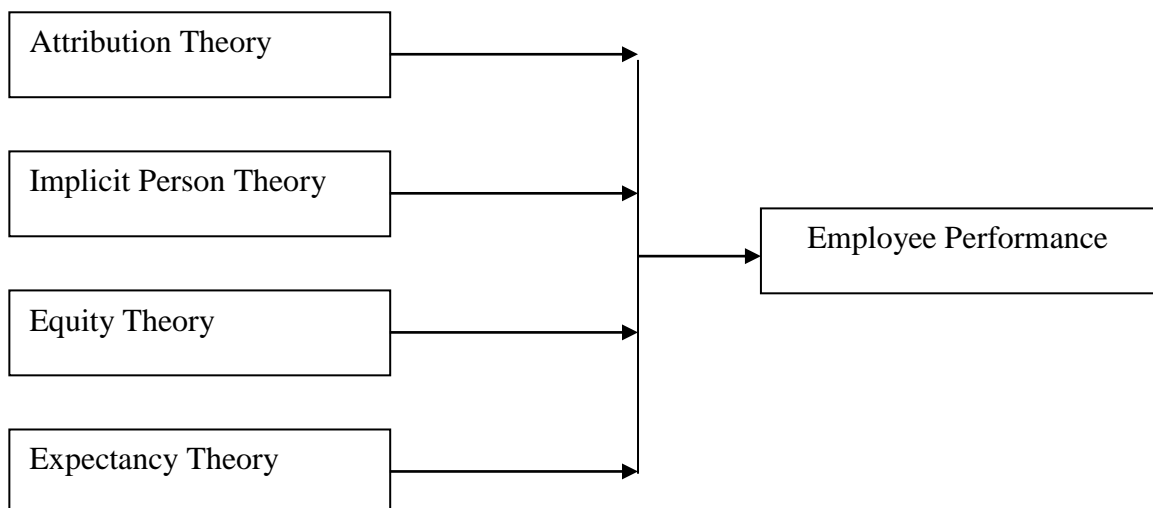
Expectancy theory is "based on the expectation that people bring with them to the work situation, and the context and way in which these expectations are satisfied" (Marchington and Wilkinson, 2005). The expectancy model was originated from the argument that the management of an organization has a responsibility to both motivate its employees through daily tasks, and to produce at its most effective level.

Employee engagement is strongly tied to motivation and it can be argued that there is a direct effect of management styles employed by an organization on the employee engagement level of the organization. In consideration of the management styles within organization and how they affect the commitment of the staff to the organization, it is also necessary to take into consideration the expectations of the staff when they enter the organization. This premise is supported by the third & fourth assumption of the theory Y view of human behavior according to McGregor which states: People will exercise self direction and self-control in service of objectives to which they are

committed. People have potential and under proper conditions they learn to accept and seek responsibility, they have imagination and creativity that can be applied to work.

In addition, expectancy theory implies that "management need to demonstrate to employees that their effort will be recognized and rewarded, in both financial and non-financial" (Marchington and Wilkinson 2005). The expectancy model holds that work motivation is determined by individual beliefs regarding effort-performance relationships and the desirability of various work outcomes associated with different performance level

## 2.2 Theoretical Framework



**Figure 1 Theoretical framework**

**Source: Researcher 2017**

## 2.3 Empirical Review

### Introduction

Empirical review according to research methodology involves researcher's review of information as well as theories currently available concerning performance appraisal and the historical background. It demonstrates thorough understanding of the topic in which the researcher is conducting research. It shows how far the problem being studied has been done in the way proposed by the writer.

### **2.3.1 Employee Feedback Mechanisms.**

Lillian and Sitati (2011) in their study on effects of performance appraisal system argued that when an employee's strengths and weaknesses are explained, the employee can build on his or her strengths and correct his other weaknesses. Mooney (2009) echoes Lillian and Sitati by saying that feedback is essential in gaining the maximum benefits from goal setting. Without feedback, employees are unable to make adjustments in job performance or receive positive reinforcement for effective job behavior. Chiou (2009) proposed that the process of feedback should be integrated into the daily interactions of supervisors and subordinate frequently but less formal meetings. He also recommended that effective employee feedback is timely, specific, behavior in nature, and presented by a credible source.

Roberts (2003) found that performance feedback alone generates improvements to rates' organizational commitment, and particularly to employee performance. Ojo (2009) analyzed why goal-setting is so effective and proposed that its effectiveness derives from its ability to focus employees' effort and attention on the critical task at hand, enhancing employee persistence and reducing the likelihood of being distracted. It thus focuses attention and effort on the future which can still be changed.

### **2.3.2 Employee Training and Development.**

According to research done by Liza (2012) on performance appraisal and its implication to employee performance she found that performance management can be a way to reward good performers, it is also vital that employee development is given emphasis. Employee training and development plays a major factor to enable both employee and managers identify and act on employee development needs. This way employee's knowledge and skills will be enhanced and developed which is geared towards employee efficiency and excellent performance.

According to Brigid (2013), the purpose of training and management development programs is to improve employee capabilities and organizational capabilities. When the organization invests in improving the knowledge and skills of its employees, the investment is returned in the form of more productive and effective employees. Grubb (2007) outline training approach based on identified needs as one of the benefits of performance appraisal in an organization. Training is related to the skills an employee must acquire to improve the probability of achieving the organization's overall business and academic goals and objectives. Positive training offered to employees may assist with reduction of anxiety or frustration, which most employees have experienced on more than one occasion during their employment careers. Continuous performance appraisal could possibly be used as a retention tool and as a system of determining what skills the organization has and which ones it is lacking.

In addition, the larger the gap between the skills required to perform a task and the actual skills available for performing a task, the greater the lack of job satisfaction and the greater the increase in employee turnover within the organization. Conversely then, not having the skills to perform a job correctly can set up employees for failure and put the business at a less-than-competitive disadvantage. The resulting high turnover would predict the need for even more training that would then have a direct impact on the bottom line of any business. Moreover, poor performance reviews due to inadequate job training can produce employee dissatisfaction and conflict although there is no direct link in the literature between training and job satisfaction. Gruman and Saks (2010) argue that the most thoroughly trained employees will better satisfy the needs of their customers leading to high employee's performance.

### **2.3.3 Employee Promotions.**

According to a study on performance pay and management experience in multitask teams found out that many Performance Appraisal systems are solely used as a procedure to determine whether a promotion or raise will be given or as a way of communicating to staff what their role is. Instead of being used as a form of judgment, performance appraisal needs to be used for the benefit of both the employee and the organization (Griffin and Neely, 2009).

A promotion is viewed as desirable by employees because of the impact a promotion has on pay, authority, responsibility, and the ability to influence broader organizational decision making. Career progressions are therefore attached to a reward system. Performance appraisals are often linked to incentives such as raises and promotion for a worker whose performance is reviewed as high, and job cuts for a worker whose performance is reviewed as low (Joison, 2001). While it should be a standard policy, not every company endeavors to reward proficient employees for their added efforts. According to Ishaq et al (2009), appraisal results are used in many organizations, either directly or indirectly, to help identify the better performing employees who should get the majority of the available merit pay increases, bonuses and promotions.

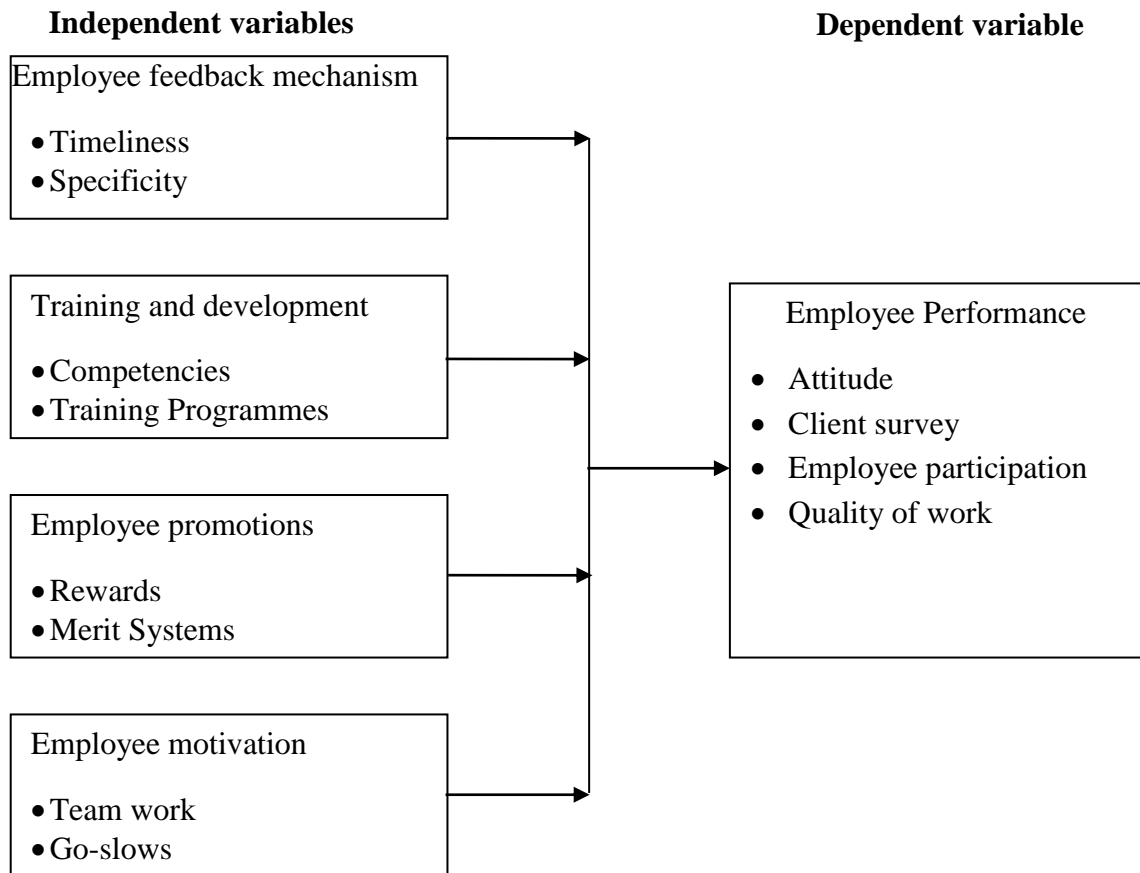
### **2.3.4 Employee Levels of Motivation**

Latham and Wexley (2001) in their study on increasing productivity through performance appraisal investigated what employees may seek from the work environment. Their discussion reviews some of employee-related concerns that can be found in the venue of strategies to employees' motivation. Their findings revealed that Employees are individuals that come from different backgrounds, they have different education with different experiences and their different family classes are all the factors in which their needs are located. Secondly, the primary interest of employees

is to satisfy their personal needs, ambitions, desires and goals. Thirdly, an employee wants to satisfy the basic needs, linked to survival and security concerns and desire to belong, to generate positive feelings from within and from others, and to be self-fulfilled. Lastly most employees want fair and consistent company policies in matters affecting them.

According to Najeeb(2011) in his study on performance appraisal found that there are other important factors that can fulfill and motivate employees which include challenging work, work that yields a sense of personal accomplishment, expression of appreciation for good performance, increased responsibility and the chance to grow in the job, the feeling of importance and making a contribution to the organization, and performance appraisal oration in job-related matters that affect the employees. According to research freedom oriented qualities are mostly found in motivated employees. Motivated people are highly committed and have few desires. Employees who feel that the results of performance appraisal is unfair they often leave the organization and their morale and involvement is let down and will change their behavior in wrong doings for taking revenge from the organization. When employees are not sufficiently motivated, their work outputs and loyalty to the organization may be affected negatively (Charity, (2011).

## 2.4 Conceptual Framework.



**Figure 2 Conceptual framework**

**Source: Researcher 2017**

## 2.6 Research Gap

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

appraisal indicates that it has focused mostly on its impact on motivation. Several empirical studies have been done on importance of Performance appraisal. A vast amount of literature looks at whether performance appraisal is successful based on rating accuracy and qualitative aspects of the appraisal, it has been revealed that reasonable employees' reactions to the appraisal system has much influence on the success of an appraisal system.

This creates interest on evaluation of performance appraisal on employee performance in Kenya at Kenya's largest bank by asset size. Most studies have also been conducted in the developed world which creates a research gap that the study would wish to fill in seeking to fill this gap.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.0 Introduction**

This chapter describes the research design, target population, sampling design, data collection instruments and procedures, content validity, data analysis method used when organizing and analyzing the data for interpretation in chapter four, validity and reliability of instruments and ethical consideration.

### **3.1 Research Design**

Research design provides a framework for planning and conducting a study. The research proposal adopted a descriptive research design. Descriptive research design was appropriate for this study because it allows the respondents to give information about peoples' attitudes, opinions, habits or any of the variety of social issues. The major purpose of descriptive research is description of the state of affairs as it exists at present. Descriptive survey is a method of collecting data by interviewing or administering a questionnaire to a sample of individuals. Orodho (2009) and Mugenda and Mugenda (2003) described descriptive research design as a systematic, empirical inquiry in which the researcher does not have a direct control of independent variable because they inherently cannot be manipulated.

### **3.2 Target Population**

According to Mugenda and Mugenda (2003), Target population is the population that the researcher may want to generalize in the study. The study targeted 355 employees at the KCB Headquarters Nairobi. The study targeted all cadres of staff at KCB Headquarters in Nairobi, Kenya. The study will concentrate on the head office as it is the location where all employees' policies are developed and decentralized (KCB, Human Resource Register, 2013).

### 3.3 Sampling Design and Size

According to Orodho, (2009) Sampling is a process of selecting a sub-set of cases in order to draw conclusion about the whole set. A researcher gets a sample for study from a given population and the results obtained from this sample are generalized to the whole population. The study applied purposive sampling to select KCB Head Office Nairobi because of easy accessibility and availability of data. The study applied cluster sampling method to group the target population according to job titles.

A sample size for a descriptive survey can be determined by taking 10% and above of the total population (Mugenda and Mugenda, 2012). However, this study will pick 30% of the target population of 355 employees at KCB headquarters. This is to take care of the respondents who fail to own up and fill the questionnaire. There is the anticipation that 10% will not be representative from the fact that KCB headquarters is a busy institution and as a result most of the respondents may fail to submit their questionnaires. Proportional stratified simple random sampling will be used to give a respondent base of 107 out of 355 employees and distributed in the various categories as shown in the table below.

**Table 1: Sample Size**

<b>Population Group</b>	<b>Target population</b>	<b>Sample Size</b>	<b>Sample Percentage</b>
Senior Managers	8	2	1.9%
Middle level managers	25	8	7.5%
Clerical Staff	243	73	68.2%
Subordinate staff	79	24	22.4%
Total	355	107	100

**Source: Researcher 2017**

### **3.4 Data Collection instruments and Procedures**

The researcher targeted employees of Kenya Commercial Bank Limited working in Nairobi County. The researcher used questionnaires, interviews, direct observation as primary data collection instrument. Secondary data was obtained from related literatures of performance appraisal, Kenya commercial bank annual reports and their website.

#### **3.4.1 Questionnaire.**

A questionnaire is a list of standard questions asked concerning a field of inquiry. Orodho, (2009) observed that questionnaires are questions mailed or given to respondents to answer on their own. Primary data was collected using a semi-structured questionnaire containing questions on the evaluation of performance appraisal and its impact on employee performance with emphasis on motivation, training, promotions and employee feedback mechanisms. The questionnaire was administered through a drop and pick method.

#### **3.4.2 Observation Guides**

Mugenda and Mugenda, (2003) observed that in an observation, the current status of a phenomena is determined not by asking but observing. Grant (2008) Observation involved reading the behavior of interest in the natural setting. This helps the researcher to see how well the bank employees are undertaking their duties and how committed they are to the organization. This would reveal if they are really motivated or not. The researcher visited Kenya commercial Bank Headquarters and made direct observations on how the workers performed their duties to determine if there are go slows or not and the way employees handled their customers.

### **3.5 Piloting**

To ensure the reliability of the research instruments piloting was done at the Head office located in Upper Hill. The head office was selected for piloting because all information

about the Kenya Commercial Banks was available there. This is where the questionnaires for section heads, Clerical staff, subordinates and interview guides meant for managers were administered before the actual study. This was important because the researcher was able to remove questions that were irrelevant to the study. The research instruments were administered to the same group twice after a given interval to ensure reliability.

### **3.6 Validity**

According to Mugenda and Mugenda (2012) Validity is the accuracy and meaningfulness of inferences, which are based on the research results i.e. the degree to which results obtained from the analysis of the data, actually represents the phenomena under study. Therefore questionnaires or interview schedules are said to be valid when they actually measure the intended parameters. This is referred as content validity which means the item produced were relevant to the objectives of the study. It establishes if the questionnaire content is measuring what it's meant to measure. My supervisors therefore assessed the relevance of the content used in the questionnaire and the interview guides. The researcher considered the recommendation and incorporated them into the final questionnaire and interview schedules. The researcher did not at all manipulate participants as they filled the questionnaire items. Further insight was sought from supervisors and other experts from Mount Kenya University who consulted and tested on internal and external validity. The scholars tested content validity and ultimately the instruments were examined appropriately and found valid.

#### **3.6.1 Reliability**

Reliability according to Orodho (2009) is the consistency in which the instrument produces a reliable result. Lanchance (2000) agreed with the above by saying that reliability is the ability of the research instruments to consistently produce the same

result over time. Reliability focuses on the degree to which empirical indicators are consistent across two or more attempts to measure the theoretical concept. A measure is considered reliable if a researcher's findings on the same test given twice are similar. Data reliability ensures that there is precision with which data is collected. If the same results are gained time after time, no matter how many times you conduct a piece of research, this suggests that the data collected is reliable.

Kothari (2004) asserts that to establish reliability of instruments, the test retest method can be used. This will involve administering the same instruments twice to the same group or subjects. The time lapse between the first and second test should not be too short or too long.

This is because if the time lapse is too long the respondents can give the problem some thought and perhaps modify their earlier responses. However, if it is too short the respondents often remember their first responses and repeat them despite apparent changes. For this study test retest method was used to verify whether the instruments are reliable in providing same results.

### **3.7 Data Analysis and Presentation**

Orodho, (2009) defined data analysis as the process of systematically searching and arranging interview transcripts, field notes, data and other materials obtained from the field with the aim of increasing own understanding of them and enabling one to present to others. Completed questionnaires were edited for completeness and consistency. Descriptive analysis was used to analyze the respondents' views about the effect of performance appraisal. Frequency distribution table was used to summarize the variable values and number of occurrences in terms of frequency. The organized data was interpreted on account of concurrence and standard deviation to objectives using a computer package SPSS version 21 since its most effective in data management, it has a

wide range of options in analyzing statistical data hence offers great range of methods and better output organization.

In addition, the researcher used correlation analysis and a multiple regression analysis to determine the relationship between Employee Performance (E.P) (dependent variable) and the variables (which are influenced by the performance appraisal systems), namely; Number of employee feedback mechanisms, employee training and development, number of promotions and level of motivation (which are the independent variables) . The multiple regression was:

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + \varepsilon \text{ Where;}$$

"b" values are regression weights

Y= Employee Performance

$b_1X_1$  = Levels of employee feedback

$b_2X_2$  = Employee training and development

$b_3X_3$  = Employee promotions

$b_4X_4$  = Employee levels of motivation

### **3.8 Ethical Consideration**

In carrying out this research ethical issues were put into considerations. According to Armstrong, (2001) qualitative research has to be sensitive to ethical issues related to respondents. To reduce suspicion and anxiety the researcher informed all the respondents on the purpose of study, and confidentiality on use of data collected. This is because some managers do not allow employees to interact with outsiders in the organization in fear of giving organizational secrets. To enhance further trust in the respondents the researcher presented the research authentication documents which included an introductory letter from the Mount Kenya University which acted as a proof to the respondents that the research was meant for educational purposes. The researcher

sought permission from relevant authorities to carry out the research. This included the commission of science, Technology and innovation (NACOSTI) and the top managers of the bank branches on which the data was collected. The respondents were assured of getting the feedback from the research if needed after the study. This was aimed at securing co-operation from them.

## **CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION OF FINDINGS**

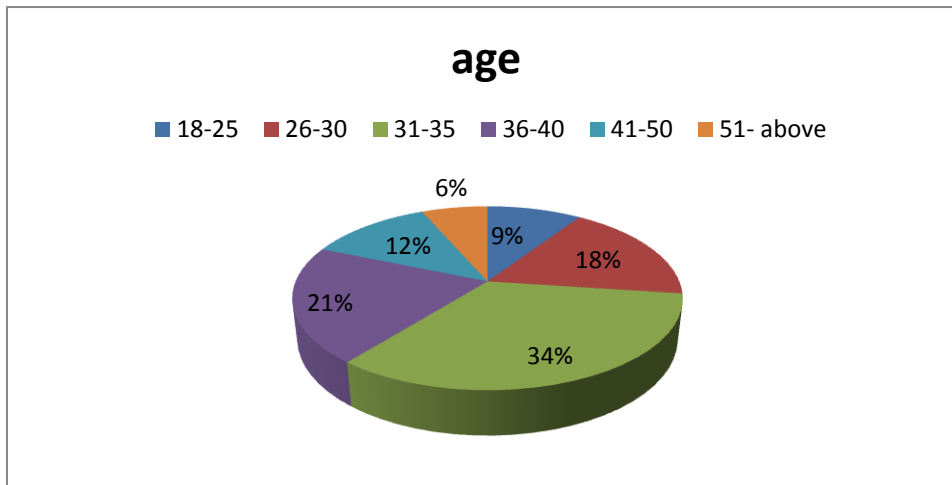
### **4.0 Introduction**

This chapter presents the findings of the primary data collected from the field using the questionnaire as the tool. The general objective of the study was to evaluate performance appraisal tool on employee performance in Kenya Commercial Bank. The study was guided by the following specific objectives: To establish how levels of employee feedback mechanisms influence employee performance at the Kenya Commercial Bank Nairobi County, to determine the extent to which training and development affect employee performance at the Kenya Commercial Bank Nairobi County, to ascertain how employee promotions influence employee performance at the Kenya Commercial Bank Nairobi County and to assess how the levels of motivation of employees affect employee performance at the Kenya Commercial Bank Nairobi County.

### **4.1 Demographic Characteristics**

#### **4.1.1 Age Bracket**

The study intended to determine the age of the target respondents involved in the study. The findings on Figure 4 illustrates that 34% of the respondents were between 31-35 years, 21% between 36 to 40 years, 18% were between 26 to 40 years, 12% were between 26 to 30 years, 9% were between 18 to 25 years and 6% of the respondents were over 51 years. Thus, the findings indicate that majority of the respondents are above 25-40 years age bracket.



**Figure 3 Demographic Characteristics**

**Source: Researcher 2017**

#### **4.1.2 Academic qualification**

The study sought to determine the education level of the respondents from those involved in the study. Table 3 indicated that 31% of the respondents had diploma, 46% first degree graduate, 17% had master's degree and 6% had other academic qualification. The findings indicated that majority of the respondents had bachelor's degree and were somehow relatively educated to provide responses on performance appraisal.

**Table 2: Academic qualification**

<b>Academic qualification</b>	<b>Frequency</b>	<b>Percentage</b>
Diploma	33	31
Graduate	49	46
Masters	18	17
Others	7	6
Total	107	100

**Source: Researcher, 2017**

### 4.1.3 Work Experience

The researcher sought to find out the years of experience among the target respondents involved in the study. The findings on Table 4 illustrates that 16% of the respondents had worked for less than 1 year, another 16% worked between 1 to 4 years, 30% between 5 to 9 years, 25% between 10 to 19 years and 14% above 20 years of experience. Thus, the findings indicate that majority of the respondents are relatively experienced.

**Table 3: Work Experience**

<b>Work Experience</b>	<b>Frequency</b>	<b>Percentage</b>
Under a year	17	16
1-4 years	17	16
5-9 years	31	30
10-19 years	27	25
20 and above	15	14
Total	107	100

**Source: Researcher, 2017**

### 4.1.4 Distribution of staff Positions

In relation to the staffs positions, 44% of the respondents were Clerical staff, 38% of the respondents were Subordinate staffs while 18% of the respondents were from the Departmental Managers. This showed that most of the respondents had enough knowledge on performance appraisal.

**Table 4: Distribution of staff positions**

<b>Position</b>	<b>Frequency</b>	<b>Percentage</b>
Clerical staff	47	44
Subordinate staff	41	38
Departmental Managers	19	18
Total	107	100

**Source: Researcher, 2017**

#### **4.1.5 Purpose of Performance Appraisal Tool in an Organization**

The respondents were also asked to state what the organization strive to achieve through Performance Appraisal. It was observed that 13% reported that they are involved in training and development needs, 16% indicated upgrading and promotions, 25% said they were involved in payment and rewards, 30% listed review performance while 16% indicated that they were involved in setting targets for future performance. A number of staffs are involved in several stages of the performance appraisal; with the senior management respondents reporting that they were involved in all the stages of performance appraisal. Trends observed revealed that majority (76%) of the respondents are involved in measuring actual performance through making of monthly reports on performance.

According to Mani (2002), in many organizations, performance appraisal results are used, either directly or indirectly, to help determine reward outcomes. That is, the performance appraisal results are used to identify the potentially good performing employees who should receive financial benefits, bonuses and promotions. Mackey and Johnson (2000) assert that performance appraisal results are used to identify the poor or weak performers who may require some form of Counseling, or in extreme cases,

demotion and dismissal. Anderson (2002) suggests that if a supervisor gives an employee a poor score on his/her appraisal, the employee may feel a loss of motivation in the workplace. Consequently, this can influence on the employee's performance

**Table 5: Purpose of Performance Appraisal Tool in an Organization**

<b>Organization strive</b>	<b>Frequency</b>	<b>Percentage</b>
Training and Development Needs	15	13
Upgrading and Promotion	17	16
Payment and Rewards	27	25
Review Performance	31	30
Set Targets for Future Performance	17	16
Total	107	100

**Source: Researcher, 2017**

#### 4.1.6 Benefits Related to Current Position

**Table 6: Benefits Related to Current Position**

<b>Benefits Related to Current Position</b>	<b>Frequency</b>	<b>Percentage</b>
Security and safety	15	14
Overtime pay	37	35
Loans at low rates	24	22
Work harmony	31	29
Total	107	100

**Source: Researcher, 2017**

The research aimed to investigate whether the respondents received any benefits related to their current job position. Table 4.6 indicated that majority of the respondents (35%) had an overtime pay 29% indicated that they were granted low rates on loans, 22% indicated that there was work harmony while 14% indicated that they were granted job security. Thus, the findings indicated that majority of the respondents were satisfied with the current performance appraisal system.

## 4.2 Descriptive Statistics

### 4.2.1 Level of Employee Feedback Mechanisms Influence on Employee

#### Performance

The respondents were also asked to state the levels of employee feedback mechanisms influence on employee performance. It was observed that 11% received the feedback always from their employer. 14.4 % indicated that the employer gives them the margin to which they should exceed expected goal. 14.9% indicated that strengths and weaknesses are obtained through Performance appraisal at KCB. 12.1% indicated that

feedback was given always after performance appraisal exercise. 14.9 % indicated that there was always someone available to hear grievances while 15.9% indicated that they feel free enough to approach management at any time and 16.8 indicated that there are adequately informed about company benefits

From the findings it is evident that employees are involved in all the stages of performance appraisal. It emerged that majority of the employees were involved during performance appraisal process.

**Table 7: Level of Employee Feedback Mechanisms Influence on Employee Performance**

<b>STATEMENT</b>	<b>Frequency</b>	<b>Percentage</b>
I receive feedback always from my employer.	12	11.0
My employer gives the margin to which I should exceed my goal	15	14.4
Strengths and weaknesses are obtained through Performance appraisal at KCB	16	14.9
Feedback is given always after performance appraisal exercise.	13	12.1
There is always someone available to hear our grievances	16	14.9
I feel free enough to approach management at any time	17	15.9
We are adequately informed about company benefits	18	16.8
<b>Total</b>	<b>107</b>	<b>100.0</b>

**Source: Researcher 2017**

#### **4.2.2 The extent to which Training and Development Affect Employee**

##### **Performance**

A five point Likert Scale was used to rate the respondents' opinion on extent to which training and development affect employee performance in KCB bank in helping them meet organizational and individual objectives, whether there is sufficient training done after performance appraisal as a management tool in addition the level of professionalism supervisors keep while appraising staff and finally whether staff receive feedback on how they were appraised. Six items comprised the training and development process from which a total score was obtained. The range was strongly agree (5) to strongly disagree (1). The scores of strongly disagree had been taken to present a variable which had a mean of 0 to 1.5 on the Likert scale. The score of disagree had been taken to represent a variable which had a mean of 1.6 to 2.5 on the Likert scale. The score of undecided had been taken to represent a variable which had a mean of 2.6 to 3.5 on the Likert scale. The score of agree had been taken to represent a variable which had a mean of 3.6 to 4.5 on the Likert scale. The score of strongly agree had been taken to represent a variable which had a mean of 4.6 and above on the Likert scale. The results were further analyzed using T test method

**Table 8: Extent to which Training and Development Affect Employee Performance**

<b>STATEMENT</b>	<b>Mean</b>	<b>Std. Deviation</b>
Training programmes are effective for individual and organization development.	3.6393	0.90056
Performance Appraisal System helps in identifying areas for training and development at the KCB	3.8197	0.72746
Performance appraisal is helpful for improving personnel skills.	3.5000	0.88374
Performance rating is helpful for the management to provide employee counseling.	3.7459	0.84854
Sometimes performance appraisal does not identify the skilled employees	2.5082	1.00615
Performance appraisal makes me better understand what I should be doing	2.6230	0.92108

**Source: Researcher, 2017**

#### **4.2.3 Employee promotions influence on employee performance**

The objective of this study was to ascertain how employee promotions influence employee performance at the Kenya Commercial Bank. A correlation was done between the employee promotions and employee performance to establish the effect of appraisal system on employee job satisfaction.

**Table 9: Correlation between Employee Promotions and Employee Performance**

	Employee promotions	Employee performance	
Employee promotions	Pearson Correlation	1	
Employee performance	Pearson Correlation	.746**	1

**Source: Researcher, 2017**

The results indicate that there is a positive correlation between the Kenya Commercial Bank appraisal system and employee performance ( $r = .746$ ) ( $p < 0.05$ ) at 0.05 level of significance.

The researcher intended to investigate the employee promotions. There were five statements to assess participants' employee promotion. The range was strongly agree (5) to strongly disagree (1). The scores of strongly disagree had been taken to present a variable which had a mean of 0 to 1.5 on the Likert scale. The score of disagree had been taken to represent a variable which had a mean of 1.6 to 2.5 on the Likert scale. The score of undecided had been taken to represent a variable which had a mean of 2.6 to 3.5 on the Likert scale. The score of agree had been taken to represent a variable which had a mean of 3.6 to 4.5 on the Likert scale. The score of strongly agree had been taken to represent a variable which had a mean of 4.6 and above on the Likert scale. The finding in table 4.8 shows that staff only agreed that they enjoy duties and responsibilities allocated (mean of 1.18). The staff were satisfied with the position in they held in the company (mean of 1.08), on whether their performance appraisal helps to fix salary increment (mean of .5920), staff indicated that promotion was purely based on merit in the organization (mean of 1.095), results show that staff have been promoted after a performance appraisal exercise in this organization (mean of .9616).

#### **4.2.4 Employee Level of Motivation**

The study intended to investigate the effect of performance appraisal on employee motivation from the respondents involved in the study. The findings indicate that a substantial proportion of the respondents suggested that the performance appraisal system has helped improve job performance at work (m=3.20). This means that performance appraisal system is often considered one of the most important factors for employee motivation. This was followed by a large number of respondents who suggested that there are set standards for their job (m=3.17). The performance standards specify what the worker is supposed to be doing. These standards are quantified and pegged against an individual evaluation which is essential for employee motivation. Third, a number of the respondents suggested that their performance rating was based on how well they were doing (m=3.16). The rating scale method offers a high degree of structure for appraisal and motivation. The greatest advantage of rating scales is that they are structured and standardized. Fourth, the respondents mentioned that the performance appraisal identifies performance problems to improve employee productivity and motivation at (m=3.10). Fifth, a number of the respondents suggested that they were satisfied and motivated with the way appraisal system is used to evaluate their performance (m=3.05). This means that the appraisal process is accurate according to the current job description and experience which may have a direct impact on the employee's motivation to give their best.

Quite a few number of the respondents claimed that they were satisfied with the way the performance appraisal system is used to set performance goals for each rating period (m=2.91). Typically the employees identify the skills needed for them to achieve the organization objective. They do not rely on others to locate and specify their strengths and weaknesses. Also, fewer respondents mentioned that the performance is above

average ratings (m=2.77) and very few respondents agreed that they clearly understand the purpose of performance appraisal process at a mean of 2.75. The findings are presented in Table 10

**Table 10: Employee Level of Motivation**

<b>Employee Level of Motivation</b>	<b>Mean</b>	<b>Rating</b>
Employees are involved in decision making	3.16	3
I comfortably handle clients even past banking hours.	3.05	5
I stand in for my colleagues when they are away.	3.17	2
I often worry about work issues when am at home	2.96	7
Performance appraisal improves motivation of employees	2.97	7
I can agree to refer a friend to apply for a job at this company	2.75	11

**Source: Researcher, 2017**

## **4.5 Inferential Analysis**

### **4.5.1 Regression Analysis for the Overall Model**

#### **4.5.1.1 ANOVA Analysis for the Overall Model**

The ANOVA analysis in Table 4.10 presents the influence of all the independent variables on Employee Performance. The results presented a p-value of 0.000 which was less than 0.05. This indicated that the model was statistically significant in explaining evaluation of performance appraisal tool on employee performance in Kenya

commercial bank, Nairobi County. It is therefore concluded that the independent variables had significant combined effects on the Employee Performance. The model was for the estimation of the contributions of the independent variables on Employee Performance.

**Table 11: ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.512	4	8.378	7.836	.000(a)
	Residual	39.559	37	1.069		
	Total	73.071	41			

a Predictors: (Constant), Employee feedback mechanism, Employee motivation, Training and development and Employee promotions

b Dependent Variable: Employee Performance

**Source: Researcher, 2017**

#### 4.5.1.2 Goodness of fit model summary

The significance of the model was reaffirmed by the goodness of fit tests in Table 4.11, whereby the coefficient of determination (R square) of 0.893 confirmed that the model explained 89.3% of the variation or change in the dependent variables. The adjusted R square of 0.785 did not make a significant difference since the model now explained 78.5% of the variations. The standard error of estimate was .57765. The goodness of fit test in Table 4.11 presents the goodness of fit of the model:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Being the linear model involving independent variables; Y = Employee Performance, X1 = Employee feedback mechanism, X2 = Employee motivation, X3 = Training and development, and X4 = Employee promotions. The coefficient of determination (R

square) of 0.893 indicated that the model explained 89.3% of the variations in the dependent variable. This meant that the linear model was a good fit in explaining the relationship between the dependent and independent variables. A further 10.7% of Employee Performance is attributed to other factors not investigated in this study.

**Table 12: Fitness Test for the Overall Model**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.893(a)	.797	.785	.57765

**Source: Researcher, 2017**

**Coefficient of Determination**

The study conducted a multiple regression analysis and from the above regression model, holding (Employee feedback mechanism, Employee motivation, Training and development and Employee promotions) constant at zero, evaluation of performance appraisal tool on employee performance in Kenya Commercial Bank, Nairobi County will be 1.147. A one percent (1%) change in Employee feedback mechanism adopted will lead to zero point four eight eight percent (0.488%) variation in Employee Performance; also a one percent (1%) change in Employee motivation adopted will lead to zero point two six nine percent (0.269%) variation in Employee Performance. Further, a one percent (1%) change in Training and development adopted will lead to zero point three eight four percent (0.384%) variation in Employee Performance and lastly a one percent (1%) change in Employee promotions adopted will lead to zero point two two one percent (0.221%) variations in Employee Performance. This shows that there is a positive relationship between (Employee feedback mechanism, Employee

motivation, Training and development and Employee promotions) and Employee Performance.

**Table 13: Regression Analysis Results**

	Unstandardized Coefficients		Standardized Coefficients	
	B	Std. Error	Beta	Sig.
(Constant)	1.147	3.93		0.000
Employee feedback mechanism	0.488	0.255	0.663	0.001
Training and development	0.384	0.106	0.397	0.001
Employee promotions	0.221	0.115	0.192	0.003
Employee motivation	0.269	0.135	0.387	0.003

a Dependent Variable: Employee Performance

**Source: Researcher, 2017**

The Unstandardized beta coefficients column in Table 4.12 below were used to obtain the overall equation as suggested in the conceptual framework. When these beta coefficients are substituted in the equation, the model becomes:

$$Y = 1.147 + 0.488X_1 + 0.384 X_2 + 0.221 X_3 + 0.269X_4 + \varepsilon \text{ where}$$

Y = Employee Performance, X1 = Employee feedback mechanism, X2 = Training and development, X3 = Employee promotions, and X4 = Employee motivation

The results also show the unique contribution to the explaining of the independent variable. The standardized coefficients assess the contribution of each independent variable towards the prediction of the dependent variable, since they have been converted in the same scale to show comparison. The t-test statistic shows that all the B coefficients of Employee feedback mechanism, Employee motivation, Training and development and Employee promotions are significant (since  $p < 0.05$ ).

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.0 Introduction**

The study sought to determine the performance appraisal tool on employee performance in Kenya Commercial Bank, Nairobi County. One hundred and seven questionnaires were distributed, and all the 107 questionnaires were returned, giving an overall response rate of 100%. The general objective of this study was to evaluate performance appraisal tool on employee performance in Kenya Commercial Bank

### **5.1 Summary**

#### **5.1.1 Employee feedback mechanism and Employee Performance**

The study established that Employee feedback mechanisms influenced Employee Performance in Kenya commercial bank; Nairobi County since a one percent (1%) change in Employee feedback mechanisms adopted led to zero point four eight eight percent (0.488%) variation in their performance. The firms' products cultivated new distribution channels, and new marketing activities and new industries with new competitors and firms.

#### **5.1.2 Training and development and Employee Performance**

The study established that Training and development influenced the performance of in Kenya commercial bank; Nairobi County since a one percent (1%) change in Training and development adopted will lead to zero point two six nine percent (0.269%) variation in Employee Performance. The study found that really new products partially resulted in a market discontinuity or a technological discontinuity but did not incorporate both. The two firms under study had products that evolved into product line extensions with new technology and new product lines resulted in both new marketing and technical infrastructures.

### **5.1.3 Employee promotions and Employee Performance**

The study established that Employee promotions innovations influenced the market share in Kenya commercial bank, Nairobi County since a one percent (1%) change in Employee promotions innovations adopted will lead to zero point three eight four percent (0.384%) variation in Employee Performance. The study showed that both firms had products that provided new features, benefits, or improvements to the existing technology in the existing market, the products involved the adaptation, refinement, and enhancement of existing products and/or production and delivery systems and that the products were a competitive weapon in the technologically mature market.

### **5.1.4 Employee motivation and Employee Performance**

The study revealed that Employee motivation influenced the Employee Performance of in Kenya commercial bank, Nairobi County since a one percent (1%) change in Employee motivation adopted led to zero point two two one percent (0.221%) variations in Employee Performance. The two firms under study adapted products originally developed by other enterprises or institutions, they also modified products originally developed by other enterprises or institutions, the products were frequently new to the organization and new to the market.

## **5.2 Conclusions**

Overall the findings of this research have shown that performance appraisal as a tool helps KCB to achieve its goals. It emerged that performance appraisal helps individual staff to meet the set targets and staff to know their level of performance. From the results it was noted that staff felt that performance appraisal is not used to determine rewards/penalties. On performance, the research indicates that managers do not offer sufficient training on the performance appraisal system and that they do not give timely feedback. The findings further demonstrated that the performance appraisal policy can

be an effective tool in employee performance if it is perceived to be objective and fair. The findings also revealed that employee participation in the performance appraisal policy was high and this led to employee performance and perception of the process and outcome as being fair. More so, it was found that performance appraisal is an important tool used to assess employees' efficiency in workplace and it usually takes the form of periodic review to evaluate work performance.

### **5.3 Recommendations**

The results of the study indicated that most employees preferred performance appraisals to be used for training and development purposes. It is recommended that managers should improve on the training and development needs analysis component of performance appraisal policy in order to meet the aspirations of employees. A well trained and developed workforce is required for increased employee performance and organizational growth. It would also lead to efficiency and effectiveness of banking activities

Any changes made to ratings of employees during the performance appraisal process should be communicated clearly and early to all concerned. This would go a long way to prevent conflict situations and create a healthy atmosphere for team work in commercial banks.

Methods of helping poor performers to improve upon their performance, such as counseling and job rotation as well as transfers should be put in place by top management as policy interventions in banks.

Lastly, top management and managers of Banks who conduct the performance appraisal need to be equipped with methods of motivating employees through the performance appraisal policy. Kuvaas (2006) indicates that motivation is an important element to employee performance. Furthermore, performance appraisal policy creates a learning

experience that motivates employees to develop themselves and improve on their performance. If all these recommendations are followed properly, it is expected that the performance appraisal policy of various banks will be improved upon in turn will have an influence on employee performance.

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**APPENDICES**

**APPENDIX I: QUESTIONNAIRE FOR THE CLERICAL AND SUBORDINATE STAFF.**

This research is meant for academic purpose. The information you give will be held with strict confidentiality. You are kindly requested to provide answers to the questions as honestly as possible. **Do not write your name or your branch in the questionnaire.** Please tick where appropriate.

**SECTION 1: BACKGROUND INFORMATION**

- 1. Age
  - 18-25
  - 26-30
  - 31-35
  - 36-40
  - 41-50
  - 51- Above
- 2. Current qualification?
  - Diploma
  - Graduate
  - Masters
  - Others Specify.....
- 3. How long have you been working in this bank?
  - a) Under a year
  - b) 1 - 4 years
  - c) 5 - 9 years
  - d) 10-19 years
  - e) 20 and above
- 4. What position do you hold in Kenya Commercial Bank?
  - a) Clerical staff
  - b) Subordinate staff

**SECTION B: IMPORTANCE OF PERFORMANCE APPRAISAL**

- 5. In your opinion, what does your organization strive to achieve through Performance Appraisal.(Please select as many as relevant)

- a) To determine training and development needs
  - b) To determine upgrading and promotion
  - c) To determine payment and rewards
  - d) To review performance
  - e) To set targets for future performance
6. Apart from salary what other benefits do you have related to your position in Kenya commercial bank?
- a) Security and safety
  - b) Overtime pay
  - c) Loans at low rates
  - d) Work harmony
7. How many training programs have you attended for the last one year as a Kenya commercial Bank employee?
- a) Below 5 times
  - b) 5 to 10 times
  - c) 10 and above times
  - d) None

The following statements related to the purpose of performance appraisal in relation to the employee promotions, employee feedback, employee level of motivation and employee training and development at Kenya commercial bank. Indicate the extent to which you agree or disagree with each statement using the following scale. **Strongly Agree (SA), Agree (A), Neutral (N), Disagree (D) Strongly disagree (SD)**

<b>EMPLOYEE FEEDBACK</b>						
<b>Question 8</b>	<b>STATEMENT</b>	<b>SA (5)</b>	<b>A (4)</b>	<b>N (3)</b>	<b>D (2)</b>	<b>SD (1)</b>
(a)	I receive feedback always from my employer.					
(b)	My employer gives the margin to which I should exceed my goal					
(c)	Strengths and weaknesses are obtained through Performance appraisal at KCB					
(d)	Feedback is given always after performance appraisal exercise.					
(e)	There is always someone available to hear our grievances					
(f)	I feel free enough to approach management at any time					
(g)	We are adequately informed about company benefits					

<b>TRAINING AND DEVELOPMENT</b>						
<b>Question 9</b>	<b>STATEMENT</b>	<b>SA (5)</b>	<b>A (4)</b>	<b>N (3)</b>	<b>D (2)</b>	<b>SD (1)</b>
(a)	Training programmes are effective for individual and organization development.					

(b)	Performance Appraisal System helps in identifying areas for training and development at the KCB					
(c)	Performance appraisal is helpful for improving personnel skills.					
(d)	Performance rating is helpful for the management to provide employee counseling.					
(e)	Sometimes performance appraisal does not identify the skilled employees					
(f)	Performance appraisal makes me better understand what I should be doing					

<b>EMPLOYEE PROMOTIONS</b>						
<b>Question 10</b>	<b>STATEMENT</b>	<b>SA (5)</b>	<b>A (4)</b>	<b>N (3)</b>	<b>D (2)</b>	<b>SD (1)</b>
(a)	Duties and responsibilities are allocated based on performance appraisal ratings					
(b)	I am satisfied with my position in this company					
(c)	Performance appraisal helps to fix salary increment					
(d)	Promotion is purely based on merit in this organization					

(e)	I have ever been promoted after a performance appraisal exercise in this organization					
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<b>EMPLOYEE LEVEL OF MOTIVATION</b>						
<b>Question 11</b>	<b>STATEMENT</b>	<b>SA (5)</b>	<b>A (4)</b>	<b>N (3)</b>	<b>D (2)</b>	<b>SD (1)</b>
(a)	Employees are involved in decision making					
(b)	I comfortably handle clients even past banking hours.					
(c)	I stand in for my colleagues when they are away.					
(d)	I often worry about work issues when am at home					
(e)	Performance appraisal improves motivation of employees					
(f)	I can agree to refer a friend to apply for a job at this company					
(g)	Remunerations are fair and acceptable.					

**APPENDIX II: QUESTIONNAIRE FOR THE MANAGERS AND MIDDLE LEVEL MANAGERS**

Please respond as honestly and truthfully as possible. Put a tick✓ on the appropriate answer on the statements below.

**A. Personal information**

1. Current qualification?

Diploma  Graduate  Masters

Others

Specify.....

2. How long have you been working in this Bank?

Less than 5yrs  6-10 yrs  11-15yrs  Over 15 yrs

**B. Importance of performance Appraisal**

3. To what extent do performance appraisal ratings improve employee performance?

.....  
.....

How does performance appraisal influence the level of motivation of employees in your organization?

.....  
.....

Comment briefly on the importance of training and development of employees in your Organization?

.....  
.....

4. (a) How does employee feedback mechanisms influence employee Performance in your organization?.....

**APENDIX III: INTRODUCTION LETTER**

Leah Njeri Nyamu

Mount Kenya University

P.O Box

Nairobi-Kenya

Dear Sir / Madam,

**RE: RESEARCH PROPOSAL ONEVALUATION OF PERFORMANCE  
APPRAISAL TOOL ON EMPLOYEE PERFORMANCE IN KENYA  
COMMERCIAL BANK, NAIROBI COUNTY**

I am a student of Mount Kenya University pursuing a Master's Degree in business administration. I am carrying out a research on the topic above and the questionnaires attached are meant to collect information as per the topic. The information obtained will be used to finalize the research project as a requirement for the Degree only. The information provided will be treated with strict confidentiality, be assured of that. However, you should not indicate your name on the paper, but other details are very important as per this research work.

Please spare some of your time and fill in the attached questionnaires to the best of your knowledge. Please cooperate.

Thank You in Advance.

Signature.....

Leah NjeriNyamu



## **APPENDIX V: LETTER TO RESPONDENTS**

Leah Njeri Nyamu,  
Mount Kenya University,  
Nairobi Campus,  
P.o. Box 45240-00100,  
Nairobi.

Dear sir/ madam

I am a student at Mount Kenya University currently studying Masters in Business Administration (Human Resource Management). I am undertaking a research project titled “Evaluation of performance appraisal tool on employee performance in Kenya commercial Bank, Nairobi County”

I am therefore requesting for your cooperation in responding to the questionnaire that I have drafted in the most objective way possible. I will handle the information in confidence.

Thank you in advance for your cooperation.

Yours faithfully,

Leah Njeri Nyamu

Student

## APPENDIX VI: MKU INTRODUCTION LETTER

# Mount Kenya University



## SCHOOL OF POSTGRADUATE STUDIES

REF: No. MBA/2013/46961

27 March, 2017

*The Director, Research Coordination Division  
National Commission for Science, Technology & Innovation  
Utalii House, 8<sup>th</sup> & 9<sup>th</sup> Floor  
P.O Box 30623- 00100  
Nairobi*

Dear Sir/Madam,

**RE: LEAH NJERI NYAMU - REGISTRATION NO. MBA/2013/46961**

The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Administration - Human Resource Management** in the Department of Management in the School of Business and Economics.

The title of her Project is *"Evaluation of Performance Appraisal Tool on Employee Performance in Kenya Commercial Bank, Nairobi County."*

She has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data for her research in the course of this semester (April - June, 2017).

Any assistance accorded to her will be highly appreciated.

Thank you.

**Dr. Samuel Karenga**  
**Dean, School of Postgraduate Studies**

Mount Kenya University  
Dean, School of Postgraduate Studies  
P. O. Box 342 - 01000  
Thika

Enc

## APPENDIX VII RESEARCH AUTHORITY



### NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: +254-20-2213471,  
2241349,3310571,2219420  
Fax: +254-20-318245,318249  
Email: dg@nacosti.go.ke  
Website: www.nacosti.go.ke  
when replying please quote

9<sup>th</sup> Floor, Utalii House  
Uhuru Highway  
P.O. Box 30623-00100  
NAIROBI-KENYA

Ref. No. **NACOSTI/P/17/16748/14682**

Date: **31<sup>st</sup> March, 2017**

Leah Njeri Nyamu  
Mount Kenya University  
P.O. Box 342-01000  
**THIKA.**

#### **RE: RESEARCH AUTHORIZATION**

Following your application for authority to carry out research on *“Evaluation of performance appraisal on employee performance in Kenya Commercial Bank, Nairobi County,”* I am pleased to inform you that you have been authorized to undertake research in **Nairobi County** for the period ending **31<sup>st</sup> March, 2018**.

You are advised to report to **the Chief Executive Officer, Kenya Commercial Bank, the County Commissioner and the County Director of Education, Nairobi County** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

  
**BONIFACE WANYAMA**  
**FOR: DIRECTOR-GENERAL/CEO**

Copy to:

The Chief Executive Officer  
Kenya Commercial Bank.

The County Commissioner  
Nairobi County.

**APPENDIX VIII: RESEARCH PERMIT**

**THIS IS TO CERTIFY THAT:**  
**MS. LEAH NJERI NYAMU**  
**of MOUNT KENYA UNIVERSITY, 123-902**  
**kikuyu, has been permitted to conduct**  
**research in Nairobi County**  
**on the topic: EVALUATION OF**  
**PERFORMANCE APPRAISAL ON**  
**EMPLOYEE PERFORMANCE IN KENYA**  
**COMMERCIAL BANK, NAIROBI COUNTY**  
**for the period ending:**  
**31st March, 2018**

**Permit No : NACOSTI/P/17/16748/14682**  
**Date Of Issue : 31st March, 2017**  
**Fee Received :Ksh 1000**





*[Signature]*  
**Director General**  
**National Commission for Science,**  
**Technology & Innovation**

**Applicant's**  
**Signature**

**CONDITIONS**

- 1. You must report to the County Commissioner and the County Education Officer of the area before embarking on your research. Failure to do that may lead to the cancellation of your permit.**
- 2. Government Officer will not be interviewed without prior appointment.**
- 3. No questionnaire will be used unless it has been approved.**
- 4. Excavation, filming and collection of biological specimens are subject to further permission from the relevant Government Ministries.**
- 5. You are required to submit at least two(2) hard copies and one (1) soft copy of your final report.**
- 6. The Government of Kenya reserves the right to modify the conditions of this permit including its cancellation without notice.**

  
**REPUBLIC OF KENYA**

  
**NACOSTI**  
**National Commission for Science,**  
**Technology and Innovation**

**RESEACH CLEARANCE**  
**PERMIT**

**Serial No.A 1J585**

**CONDITIONS: see back page**

**APPENDIX IX: ETHICAL CLEARANCE**

**Mount Kenya University**



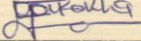
**MARCH 14, 2017**

**Ref. No. MKU/ERC/0365**

**CERTIFICATE OF ETHICAL CLEARANCE**


This is to certify that the proposal titled “EVALUATION OF PERFORMANCE APPRAISAL TOOL ON EMPLOYEE PERFORMANCE IN KENYA COMMERCIAL BANK, NAIROBI COUNTY”, whose Principal Investigator is Ms Leah Njeri Nyamu (MBA/2013/46961) has been reviewed by Mount Kenya University Ethics Review Committee (ERC), and found to adequately address all ethical concerns.

**Mr Francis W. Makokha**  
**Secretary, Mount Kenya University ERC**

Sign: 

Date: 14.03.2017

**Dr Francis W. Muregi**  
**Chairman, Mount Kenya University ERC**

Sign: 

Date: 14.03.2017

**The Chairman**  
**Mount Kenya University**  
**Ethics Review Committee**  
**P. O. Box 342 - 0100, Thika**

**APPENDIX X: THE MAP OF NAIROBI COUNTY**

