

**PERFORMANCE APPRAISAL AS EMPLOYEE MOTIVATION  
MECHANISM IN FINANCIAL INSTITUTIONS IN GHANA. A STUDY OF  
EMPLOYEES OF SELECTED FINANCIAL INSTITUTIONS IN KUMASI**

**By**

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**DECLARATION**

I, Vincent de Paul Kanwetuu, hereby declare that this thesis, ‘Performance appraisal as employee motivation mechanism in financial institutions in Ghana. A study of employees of selected financial institutions in Kumasi’ , consists entirely of my own work produced from research undertaken under supervision and that no part of it has been published or presented for another degree elsewhere, except for the permissible citations/references from other sources, which have been duly acknowledged.

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## DEDICATION

To my late Mum, LeocadiaDabuo, for all the love I enjoyed at my childhood.

# KNUST



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## ABSTRACT

The performance appraisal system (PAS) has been viewed by academics and human resource practitioners as an effective tool for human resource management. Yet effective PAS remains a practical challenge to managers and employees because of cognitive, motivational and behavioural factors. In Ghana, empirical evidence indicates that PAS began in the mid-1990s as annual confidential reports in public organisations but it took a top-down approach which did not pass the test of employee motivation. A review of recent studies also showed that employees in some financial institutions viewed PAS as discriminatory, punitive and judgemental where bias and cronyism replaced objectivity. These reports make one wonder what appraisal approaches were used and the level of employee involvement in the appraisal process especially in financial institutions. Would participatory approaches engender perception of fairness and satisfaction with appraisal process and outcome? And would participatory approaches pass the test of employee motivation and increase productivity? To find answers to these questions, a social survey was conducted among employees of six financial institutions in the Kumasi Metropolis. The institutions were sampled based on convenience and proximity while the employees were sampled using the proportionate random sampling technique. A survey questionnaire was administered among both managerial and subordinate staff. The data gathered were analysed quantitatively using both descriptive and inferential statistical tools. The descriptive statistical tools used included frequency tables, pie charts, bar charts and percentages which permitted comparison of responses. The inferential statistical tools used involved scatter plots and correlation tables which permitted tests of relationship between variables. The findings of the study revealed that employee participation in the appraisal process was generally high and this

increased satisfaction and fairness with both appraisal process and outcome. It also increased employee motivation to perform. The findings again indicated that manager/subordinate interaction was very cordial and this also boosted employee motivation. Furthermore, whereas managers mostly used appraisal for rewards administration such as promotion, pay increase, and bonuses; majority of employees preferred appraisal to be used for training and development. Finally, it was found out that the performance appraisal system in financial institutions in Ghana was effective in promoting employee motivation and productivity.



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## LIST OF ACRONYMS

ACR: Annual Confidential Report

BARS: Behaviourally Anchored Rating Scales

GCBL: Ghana Commercial Bank Limited

GLICO: Gemini Life Insurance Company

KITA: Kick in the ass

KNUST

KRBL: Kumawuman Rural Bank Limited

MBO: Management by Objectives

MICL: Metropolitan Insurance Company Limited

PA: Performance Appraisal

PAS: Performance Appraisal System

SIC: State Insurance Corporation

UBA: United Bank of Africa



# CHAPTER ONE

## INTRODUCTION

### 1.1 Background to the Study

Recent research estimates that over 90% of all large organisations in the United States of America (U.S.A) employ some form of systematic employee appraisal and review (Fink & Longenecker, 1998). According to Endo (1998), the performance appraisal system (PAS) was introduced in Japan in the 1920s and 1930s and was modeled after the then American system (that is, its application to production workers and non-disclosure of rating results to employees).

This widespread use of PAS can be attributed to human resource specialists, academics and consultants who proclaim that performance appraisal is a critically needed tool for effective human resource management (Locker & Teel, 1997). This, in turn, is based on the belief that an effectively designed, implemented and administered PAS can provide the organisation, the manager and the employee with a myriad of benefits (Longenecker, 1997). For instance, according to Dwyer (1998), the literature on performance appraisal generally suggests that the appraisal process can increase employee motivation and productivity; provide a solid basis for wage and salary administration; facilitate discussions concerning employee growth and development; provide data for human resource decisions; and provide managers with a useful communication tool for employee goal setting and performance planning. Thus, performance appraisal has become a fact of organisational life all over the world.

The performance management currently being practised in many government organisations across the globe did not exist in Ghana until the mid-1990s (Ohemeng, 2009). One should not assume, however, that there was no system of measuring

organisational performance. During this period, organisational performance was assessed through annual reports and financial statements audited by the Auditor-General whilst individual or staff performance was assessed through the Annual Confidential Reports (ACR) (Ohemeng, 2009).

Today, both public and private companies in Ghana plan and implement systematic appraisal systems just to keep pace with local competition and to improve productivity. Financial institutions, especially banks and insurance companies are no exception to this trend.

## **1.2 Problem Statement**

In many organisations, performance appraisal systems (PAS) remain one of the great paradoxes of effective human resource management. On one hand, appraisal systems can provide valuable performance information to a number of critical human resource activities such as the allocation of rewards, (for example, merit pay and promotions), feedback on the development and assessment of training needs, other human resource systems evaluation (for example, selection predictors) and performance documentation for legal purposes (Cleveland, Murphy & Williams, 1989). Thus, in theory, the merits of the formal appraisal process are numerous and, indeed, attractive to any organisation considering their use.

On the other hand, there is evidence that appraisal systems are a practical challenge to the academics who often design them and to the managers and employees who must use them. According to Banks and Murphy (1985), organisations continue to express disappointment in PAS despite advances in appraisal technology. Rather than assessing performance objectively and accurately, raters' evaluations are often subjectively biased by cognitive and motivational factors (Longenecker, Gioia&

Sims, 1987; DeNisi& Williams, 1988) leading to appraisal discrepancies. Such discrepancies and inaccuracies in the performance review can de-motivate employees forcing them to go reading 'want ads' (Coens& Jenkins, 2000). In essence, effective performance appraisal in organisations continues to be a compelling but unrealized goal. Consequently, organisations continually struggle to find an "ideal system"; that is to say a PAS that will be accepted by managers and subordinates alike and also fulfill the needs of human resource departments.

In Ghana, this struggle for an ideal appraisal system started with the days of the Annual Confidential Report (ACR). Ohemeng (2009) quoted Ayee (2001) and Nkrumah (1991) as saying that the appraisal (ACR) was fraught with problems and abuses that made its credibility questionable. The inability to carefully measure the performance of public organisation strongly impacted on its performance, which also affected the overall performance of the administrative machinery throughout the country (Ohemeng, 2009). Would these problems not have been solved with employee participation in the appraisal process?

Even today, empirical studies show that organisations in Ghana especially financial institutions still struggle to find appropriate appraisal systems to motivate employees since a greater part of their output is behavioural and hence subjective in review. For instance, a recent study in the Barclays Bank, Ghana, reported that employees viewed performance appraisal as a discriminatory, punitive and judgemental process, where cronyism and biased considerations dominated objectivity (Horsoo, 2010). From the above, it is seen that several people have considered appraisal as a bias system especially in Ghana. This repeatedly manifests the less objective human role of raters and therefore, its outcome is labeled as suspect. Contrary to this assertion,

this study posits that the involvement of employees in the appraisal system holds the key to appraisal objectivity, effectiveness and reliability.

### **1.3 Research Questions**

1. What is the level of employee involvement in appraisal planning?
2. Would employee involvement in the appraisal process lead to employee motivation to perform on their jobs?
3. What is the function of performance appraisal in financial institutions?
4. Would a culture of tolerance and acceptance in superior/subordinate interaction improve employee satisfaction with the appraisal process?
5. How do employees perceive performance appraisal?

### **1.4 Objectives of the Study**

Generally, the study sought to find out the relationship between performance appraisal and employee motivation in financial institutions in Ghana. Specifically, the study intended to find out:

1. The methods/approaches of appraisal used by financial institutions in Ghana
2. The level of employee involvement in the appraisal process
3. The effects of employee involvement in the appraisal process on employee motivation
4. The nature of manager/subordinate relationship in the appraisal process
5. Whether employees are satisfied with the appraisal process or not

## 1.5 Research Hypotheses

### Hypothesis I

**H<sub>0</sub>:** Participation in designing job objectives is not significantly related to motivation to perform

**H<sub>1</sub>:** Motivation to perform on the job is significantly related to employee participation in setting job objectives.

### Hypothesis II

**H<sub>0</sub>:** Self-evaluation and employee perception of fair appraisal are not significantly related.

**H<sub>1</sub>:** Self-evaluation is significantly related to perception of fair appraisal.

### Hypothesis III

**H<sub>0</sub>:** Recognition is not significantly related motivation.

**H<sub>1</sub>:** Recognition and employee motivation are significantly related.

## 1.6 Significance of the Study

Literature on the link between performance appraisal and employee motivation in Ghana is rare if not non-existent. The findings of the study would, therefore, serve as additional source of reference for future studies.

Performance appraisal systems are known to have a dual capacity of motivating and de-motivating employees based on how they are designed and implemented. The findings of the study would be useful to managers and supervisors of institutions and organisations where appraisals form part of organisational culture. This was because the findings could help them avoid errors in the process which had the capacity to de-motivate their employees.

Besides, the study was important because appraisal methods abound for measuring the performance of employees. Which method was good for what situation? This is the bane of most managers. Therefore, the findings of the study would be useful to managers in financial institutions in selecting appropriate appraisal methods for their employees.

Organisations in Ghana especially financial institutions in the country would find the study relevant in designing and implementing PAS in order to meet organisational goals and the expectations of their employees. This would foster positive employee attitude towards the appraisal process and performance in general which has the tendency to increase employee productivity for organisational growth and development.

Finally, having studied performance appraisal in class, the study would afford the researcher an opportunity to learn at firsthand what happens at the work environment and thus, bridge the gap between theory and practice.

### **1.7 Definition of Concepts**

A concept is an idea expressed as a symbol or in words (Neuman, 2000). Concepts in a scientific study must be well defined in order to avoid ambiguity and allow for measurement, replication and verification. Moreover, most social science concepts are abstract ideas expressed in words; hence, it is important to define them since the same word could mean different things to different people. In order to avoid misinterpretation of concepts used in the study, it was important to define the following concepts in the context in which they were used.

### 1.7.1 Conceptual Definitions

**Appraiser:** a person who formally evaluates or reviews the performance of an employee against set targets (or a rater).

**De-motivation:** The forces, either within or external to a person, which discourage enthusiasm and persistence to pursue a certain course of action.

**Employee:** Any person hired by an employer to do a specific job.

**Employee motivation:** The forces, either within or external to a person, which arouse enthusiasm and persistence to pursue a certain course of action (Daft, 1997).

**Feedback:**The return of information about the result of a process or activity to persons who have gone through the process.

**Financial institutions:**Establishments that focus on dealing with financial transactions such as investments, loans and deposits.

**Motivation mechanism:** a set of rules designed to bring about a certain outcome through the interaction of a number of agents.

**Performance appraisal:**The process of obtaining, analyzing, and recording information about the relative worth of an employee to the organisation.

**Performance:** The contribution or output or effort of an employee towards the achievement of organisational goals.

**Supervisor:** an organisational member who is officially empowered to evaluate the performance of others. Thus, heads of department, managers, sectional/unit heads; who evaluate the work of their subordinates.

### 1.7.2 Operational Definitions of Concepts

**Fairness:** Employee's perception of an appraisal being just and equitable compared to that of colleague workers in the organisation. Fairness can be excellent (6), very fair (5), fair (4), average (3), below average (2), not fair (1) or not fair at all (0)

**Satisfaction:** Acceptance of appraisal/reward as adequate. Satisfaction can be excellent (6), very satisfactory (5), satisfactory (4), average (3), below average (2), not satisfactory (1) or not satisfactory at all (0)

**Self-evaluation:** Participation in assessing the performance of oneself. Self-evaluation can be excellent (6), very fair (5), fair (4), average (3), below average (2), not fair (1) or no participation at all (0)

**Review interview:** Participation in a face-to-face discussion of one's rating following an appraisal. Review interview can be excellent (6), very fair (5), fair (4), average (3), below average (2), not fair (1) or no participation at all (0).

**Rewards administration:** Promotions/salary adjustment/bonuses given based on appraisal results. Rewards administration can be excellent (6), very high (5), high (4), low (3), very low (2), no rewards (1) not at all (0)

**Recognition:** Rate at which employees receive verbal or written appreciation from their bosses or the organisation as consequence of desired performance. Recognition can be excellent (6), very high (5), high (4), low (3), very low (2), no recognition (1) or not at all (0)

**Documentation:** Rate at which appraisal results are accumulated and stored for future decisions about employee's position in the organization and for

possible legal purposes. Documentation can be excellent (6), very high (5), high (4), low (3), very low (2), no documentation (1) or not at all (0)

**Training and career development:** Rate at which appraisal is used to identify training and development needs for employee training and development in order to improve future performance. Training and development can be excellent (6), very high (5), high (4), low (3), very low (2), no training (1) or not at all (0)

**Assistance:** Provision of materials and information necessary to accomplish a job on schedule. Assistance can be excellent (6), very good (5), good (4), average (3), below average (2), bad (1), very bad (0)

**Manager/subordinate relationship:** Quality of interpersonal relationship/communication between managers and their subordinates. Manager/subordinate relationship can be excellent (6), very good (5), good (4), average (3), below average (2), bad (1), very bad (0)

**Level of tolerance:** The ability of managers/supervisors to remain friendly and maintain cordial interaction with employees even when the latter do not achieve targets. Tolerance can be excellent (6), very tolerant (5), tolerant (4), average (3), below average (2), not tolerant (1), not at all (0)

**Level of involvement:** Employee's participation in setting/discussing work objectives, self-evaluation and review interview. Involvement can be excellent (6), very high (5), high (4), average (3), below average (2), no participation (1), no participation at all (0).

## **1.8 Profile of Selected Institutions**

It was important to briefly describe the institutions which were sampled for the study in order to enable readers to know and understand what kinds of institutions were studied. Therefore, a short historical background, staff strength, departmental divisions and location of each institution sampled for the study were described.

### **1.8.1 SIC Insurance Company Limited**

SIC Insurance Company Limited is one of the oldest non-life insurance companies in Ghana. It traces its roots to the year 1955, when the Gold Coast Insurance Company was established. It was renamed Ghana Insurance Company in 1957, when Ghana attained independence. In 1960, Ghana Insurance Company which was primarily a life assurance company, set up a subsidiary company – Ghana General Insurance Company (Ghana General) to underwrite fire and motor businesses. The Government of Ghana in February 1962, per an Executive Instrument, took over the Ghana Cooperative Insurance Company and reconstituted it into the State Insurance Corporation to await the completion of takeover negotiations with Ghana Insurance Company and its subsidiary Ghana General. Subsequently after a successful takeover of the two private companies – Ghana Insurance and Ghana General – the new company, State Insurance Corporation, commenced business in November, 1962.

In 1995, State Insurance Corporation was converted into a public limited liability company as part of the Government of Ghana's divestiture programme. The company became known as State Insurance Company of

Ghana Limited with the Government of Ghana as the sole shareholder. By a special resolution passed on 22nd October, 2007 the name of the Company was changed to SIC Insurance Company Limited. The Kumasi Office of SIC Insurance Company Limited is housed in the Opoku Ware II Block directly opposite the Prempeh Assembly Hall at Bompata, a suburb in the Kumasi Township.

**Table 1.1: Staff Strength of SIC Kumasi Office**

Department	Number of employees
Administration	3
General Services	9
Claims	9
Motor Vehicle	9
Non-motor	7
Marketing	6
Inter-State Road Transport	2
Internal Systems	2
Litigation	1
Contract Staff	5
<b>Total</b>	<b>53</b>

*Field Survey November 2010*

### **1.8.2 Ghana Commercial Bank (GCB) Tek Branch**

The Ghana Commercial Bank Limited started in 1953 as Bank of the Gold Coast to provide banking services to the emerging nation for socio-economic development. The Bank was to provide special attention to Ghanaian traders, business people and farmers who could not elicit support from the expatriate banks. In 1957, when Ghana attained independence, the Bank of Ghana was established as the Central Bank while the Bank of the Gold Coast was

renamed Ghana Commercial Bank to focus solely on commercial banking services. Since then GCB branches have been opened across the length and breadth of the country tapping the potential of the 10 regions that make Ghana.

The Tek Branch of the Ghana Commercial Bank started operations on 3<sup>rd</sup> November, 2008, as the 154<sup>th</sup> branch in the country. The reason for its establishment was to ease pressure from the constantly increasing number of customers on the KNUST Campus Branch and also serve the surrounding communities around the university. It is located on the premises of the KNUST directly opposite the university hospital at the Tek Junction traffic lights in the Kumasi Metropolis.

**Table 1.2: Staff Strength of GCB Tek Branch**

Section	Number of Employees
Managerial/Supervisory	2
Secretarial	1
Clerical	5
Outsource	3
Total	11

*Field Survey November 2010*

### **1.8.3 United Bank for Africa (UBA) Adum Branch**

The United Bank for Africa (Ghana) Limited was initially incorporated and registered as Standard Trust Bank Ghana Limited at the Registrar General's Department. In December 2004, the Bank of Ghana issued the then Standard Trust Bank Ghana Limited with a license to operate as a universal bank making it the first

bank to be licensed under the Banking Act 2004 (Act 673) and the nineteenth bank to be licensed in Ghana.

UBA (Ghana) is a subsidiary of United Bank for Africa (UBA) Plc, which is West Africa’s largest financial services group. It is the first bank with Nigerian majority shareholding to open shop in Ghana. UBA Adum Branch started operations in 2005.

**Table 1.3: Staff Strength of UBA Adum Branch**

Section	Number of Employees
Retail Banking	9
Operations	16
Total	25

*Source: Author’s Survey March 2011*

#### **1.8.4 Ecobank Harper Road Branch**

Ecobank is the leading independent regional banking group in West and Central Africa serving wholesale and retail customers. It has a network covering 18 countries and has a network of over 320 branches and offices established in the last nineteen years. Ecobank Transnational Incorporated (ETI), the parent company of the Ecobank Group plays a central role in the definition and implementation of common policies and standards on the basis of a “one bank” concept across the group’s network. Ecobank Ghana has over 25 branches and customer service points in Ghana and a head count of 268. Ecobank Harper Road Branch was established in 2000 as the fifth branch out of 53 in Ghana. It is located at Harper Road in Adum, the central business district of Kumasi.

**Table 1.4: Staff Strength of Ecobank Harper Road Branch**

Section	No. of employees
Operations	15
Cash	17
Marketing	5
Total	37

*Field Survey March 201*

### **1.8.5 Metropolitan Insurance Company Limited (MICL) Kumasi Branch**

Metropolitan Insurance Company Limited (MICL) is wholly a Ghanaian owned insurance company operating in Ghana. The Company was incorporated in October 10, 1993 as a composite insurer under the name Madison Insurance Company Limited. In 1997, the company was recapitalized and its vision and mission redefined under a new management team. To reflect this new focus and aggressive outlook, the Company's name was changed from Madison to Metropolitan Insurance Company Limited from 1st January 1997. MICL Kumasi Branch is located at Adum, Harper Road opposite the Standard Chartered Bank.

**Table 1.5: Staff Strength of MICL Kumasi Branch**

Section	Number of Employees
Management	1
Marketing	2
Accounting	2
Underwriting	2
Claims	2
Total	9

*Field Survey March 2011*

### 1.8.6 Kumawuman Rural Bank Bomso Branch

The Kumawuman Rural Bank - the sixth rural bank to be established in the Ashanti Region, and the 45th in Ghana - was established in 1982. Its headquarters is located in Kumawu. The bank has six branches and agencies at Bodomase, Drobonso, Effiduase, Bomso, Ahensan and Amakom, with a customer base of 36,902. The Bomso Branch of the bank is located at the Maxima Junction Traffic Lights and opposite KpogasFurnitures.

**Table 1.6: Staff Strength of Kumawuman Rural Bank Bomso Branch**

Section	Number of Employees
Operations	7
Credit	4
Audit	3
Total	14

*Field Survey March 2011*

### 1.9 Research Setting

The study is set in the Kumasi Metropolis (regional capital of the Ashanti Region of Ghana), located in the transitional forest zone, about 270km north of the national capital, Accra. It covers a total land area of 254 square kilometers, stretching between latitude 6.35° – 6.40° and longitude 1.30° – 1.35°. Kumasi is bounded to the north by Kwabre District, to the east by EjisuJuabeng District, to the west by AtwimaNwabiagya District and to the south by Bosomtwe-AtwimaKwanwoma District. The calm climatic condition (average minimum temperature of about 21.5°C and a maximum average temperature of 30.7°C) has

precipitated the influx of people from every part of the country and beyond its frontiers to the Metropolis.

According to the 2000 Population and Housing Census Report, Kumasi accommodated a total of 1,170,270 people as of 2000, reflecting an inter-censal growth of 5.4% between 1984 and 2000. Unlike most of the districts and metropolises in the country and even the nation, Kumasi has a unique sex male/female ratio of 1:0.97. The 2000 census results revealed that 57.7 percent of the population constitutes the active population. The census report also revealed that 16 percent of the active population is unemployed reflecting economic dependency ratio of 1:1.1. In terms of religion, Christianity is dominant (78.8%), followed by Islam (16%) and African Traditional Religion (0.3%). Nevertheless, about 4.2 percent of the population does not associate with any of these religious organisations.

The Metropolis has a total of 2325 educational facilities supporting the provision of formal education within the metropolis comprising basic schools, senior high schools (SHS), vocational and technical schools, training colleges and tertiary institutions. Basic education occupies most (96%) of these facilities. The private sector also plays a significant role in ensuring quality and easy access to education in Kumasi.

The dominant ethnic group in Kumasi is Akan (77.7%) specifically Asante. Nevertheless, the other ethnic groups in Ghana are fairly represented. In terms of economic activities, 5% of the active population is into agriculture, 23% is into industry and 72% is into commerce and service.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

The chapter begins with an examination of some authored definitions of performance appraisal in order to put the study in perspective. It presents a brief summary of the historical development of performance appraisal, its theoretical bases, approaches and methods of performance appraisal. It also covers a review of some empirical studies on how performance appraisal can motivate or de-motivate employees leading to some preliminary conclusions by the researcher based on the literature reviewed. Finally, the chapter concludes with a conceptual framework of the study and statement of the research hypotheses.

#### 2.2 What is Performance Appraisal?

The concept of performance appraisal has many definitions as there are many authors. According to Robins et al (2000), performance appraisal is “the evaluation of an individual’s work performance in order to arrive at objective personnel decisions”. Moorhead and Griffin (1992) describe it as “the process of evaluating work behaviors by measurement and comparison to previously established standards, recording the results, and communicating them back to the employee”.

Dowling, Welch and Schuler (1999), define performance appraisal as the process of obtaining, analyzing and recording information about the relative worth of an employee. The focus of performance appraisal is measuring and improving the actual and future performance of the employee. It is a process within the overall performance management process.

Based on the definitions given by the authors above, one can say that performance appraisal is a structured formal interaction between a worker and his/her supervisor during which the performance of the worker is examined to identify strengths and weaknesses with the view to rewarding the worker and or improving future performance.

### **2.3 Historical Development of Performance Appraisal**

As a distinct management procedure, performance appraisal dates from the time of World War II. In a broader sense, however, it is one of the oldest professions (Archer North and Associates, 2010) with origins in Frederick Winslow Taylor's 1911 Time and Motion work, which used the scientific method to assess and improve worker productivity. In 1960, the Theory of X and Y was introduced by Douglas McGregor (1906-1964) to categorize employees. With X employees, performance appraisals were income justification exercises. With Y employees, they were cooperative exercises in aligning personal and professional goals with organisational objectives. In companies, performance appraisals began as simple methods for deciding whether or not the salary of an employee was justified. Later on, empirical studies showed that pay rates were not the only element that had an impact on employee performance. It was found that other issues, such as morale and self-esteem, could also have major influence. That resulted in progressive rejection of emphasis of performance appraisal on reward outcomes and in the 1950s in the United States, its potential as a tool for motivation and development of employees was recognized (Bruce, Anne, Pepitone & James, 1999). The general model of performance appraisal, as it is known today, began from that time.

## **2.4 Theoretical Bases of Performance Appraisal System**

The theoretical bases of performance appraisal system (PAS) are equity and expectancy theories (Kellough, 2002; Nigro&Nigro, 2000; Perry, 2003; Risher, 2002; Vroom, 1964); and goal theory (Armstrong, 2006).

Adams (1965) formulated the equity approach as an appropriate way to effective supervision. Equity simply means fairness. In other words, equity exists when the input-outcome ratio of a worker is compared and found to be equal to the input-outcome ratio of a referent. Equity theory assumes that one important cognitive process involves people looking around and observing what efforts other people are putting into their work and what rewards follow them. This social comparison process is driven by our concern for fairness and equity. Research by Adams (1965) and others confirms equity theory as one of the most useful frameworks for understanding work motivation. Workers are motivated when they discover that they are treated fairly in compensation, promotion and that there is transparency in their evaluations. On the other hand, workers reduce their efforts (are de-motivated) if they feel that they are treated inequitably; hence, employees must perceive (the outcome of) PAS as fair if it is to be effective in employee motivation (Fulk, Brief & Barr, 1985; Hyde, 2005; Klingner&Nabaldine, 1998; Murphy & Cleveland, 1995; Roberts &Pavlak, 1996; Thayer, 1987).

Expectancy theory (Vroom, 1964), on the other hand, indicates that employees will be motivated to exert high level of effort when they believe that:

- (a) Their efforts will lead to higher performance (expectancy)
- (b) Higher performance will lead to rewards (instrumentality)
- (c) The rewards are valuable to them (valence).

In other words, an employee will pursue organisational objectives even in the face of obstacles when s/he is convinced that effort will lead to good performance appraisal and followed by organisation rewards such as bonus, salary increment or promotion which later satisfy personal goals (Vroom, 1969 in Ott, 1989). Based on expectancy theory, the motivational force of a job can be calculated if the expectancy, instrumentality and valence values are known.

Goal theory was developed by Latham and Locke (1979). It states that motivation and performance are higher when individuals are set specific goals, when goals are difficult but accepted and when there is feedback on performance. Participation in goal setting is important as a means of getting agreement to the setting of higher goals. Motivation and performance will improve if people have challenging but agreed goals and receive feedback (Armstrong, 2006).

These three theories briefly examined serve as the main framework within which the study will be carried out. References will, however, be made to other relevant theories and studies as and when necessary.

## **2.5 Approaches/Methods of Performance Appraisal**

There are numerous approaches and methods one can use to measure employee's performance but some of these methods are not suitable in some cases. Effective appraisal systems should address clarity, openness, and fairness; recognize productivity through rewards; and be cognizant of appraiser leadership qualities (Winston & Creamer, 1997). Decenzo and Robbins (1998) denominate three existent approaches to performance appraisal thus, absolute standards, relative standards and management by objectives.

### 2.5.1 Absolute Standards

This is a group of appraisal methods through which employees' performances are compared to a standard and their evaluation is independent of any other employee in a work group (Dessler, 2000). Included in this group are the following methods:

**The Essay Appraisal:** It is the simplest evaluating method in which the evaluator writes an explanation about employee's strengths and weaknesses, previous performance, positional and suggestion for his/her improvement at the end of the evaluation term. In essay appraisal, we attempt to focus on behaviours (Mondy, 2008).

It is advantageous in at least one sense; that is the essay provides a good deal of information about the employee and also reveals more about the evaluator. It is, however, highly subjective; the supervisor may write a biased essay. The employees who are sycophants will be evaluated more favorably than other employees. Secondly, some evaluators may be poor in writing essays on employee performance especially if they are not good at language.

**The Critical Incident Appraisal:** It focuses on key factors which make difference in performing a job efficiently. The necessity of this system is to try to measure individuals' performance in terms of incidents and special episodes which take place in job performance. These incidents are known as critical incidents. In this method, the manager writes down the positive and negative individuals' performance behaviour in evaluation terms (Mondy, 2008).

This method provides an objective basis for conducting a thorough discussion of an employee's performance. It also avoids recency bias (most recent incidents get too much emphasis). However, negative incidents may be more noticeable than positive

incidents. Furthermore, it results in very close supervision which may not be liked by the employee.

**The Checklist:** In this method, the evaluator has a list of situations and statements and compares it with employees' performance or behaviour. The checklist is a presentation of employee's characteristics and performance. The results can be quantitative and give weight to characteristics. Answers of checklist are often "Yes" or "No" (Decenzo, 2002). A rating score from the checklist helps the manager in evaluation of the performance of the employee.

The checklist method, however, has a serious limitation. The rater may be biased in distinguishing the positive and negative questions. He may assign biased weights to the questions.

**The Graphic Rating Scale:** It is a scale that lists some characteristics and range of performance of each individual. Therefore, employees are ranked by determining a score which shows their performance level. The utility of this technique can be enhanced by using it in conjunction with the essay appraisal technique (Mondy, 2008).

One positive point in favor of the rating scale is that it is easy to understand, easy to use and permits a statistical tabulation of scores of employees. When ratings are objective in nature they can be effectively used as evaluators. The graphic rating scale may, however, suffer from subjectivity.

**Forced Choice:** This method evolved after a great deal of research conducted for the military services during World War II. It is a method in which the evaluator should rank individual work behaviour between two or more states. A state may be favorable or unfavorable. The activity of the evaluator is to determine which state has an explanation of the employee most (Mondy, 2008).

The primary purpose of the forced choice method is to correct the tendency of a rater to give consistently high or low ratings to all the employees. This method makes use of several sets of pair phrases, two of which may be positive and two negative and the rater is asked to indicate which of the four phrases is the most and least descriptive of a particular worker. For example:

Least		Most
A	Does not anticipate difficulties	A
B	Grasps explanations easily and quickly	B
C	Does not waste time	C
D	Very easy to talk to	D

The favorable qualities earn a plus credit and the unfavorable ones earn the reverse. Overall objectivity is increased by using this method in evaluation of employee's performance, because the rater does not know how high or low he is evaluating the individual as he has no access to the scoring key.

This method, however, needs highly trained technicians and as such it is very expensive. Furthermore, managers may feel frustrated rating the employees 'in the dark'. Finally, the results of the forced choice method may not be useful for training employees because the rater himself does not know how he is evaluating the worker.

**Behaviorally Anchored Rating Scales (BARS):** This method replaces traditional numerical anchor tools with behavioural prototypes of real work behaviours. BARS permit an evaluator to rank employees based on observable behavioural dimension.

The elements of this method are results of combination of major elements of critical incident and objective rating scale appraisal methods (Wiese, 1998).

BARS have five stages (Decenzo, 2002): 1) Generate Critical Incidents, 2) Develop performance dimensions, 3) Relocate incidents, 4) Rating of level of performance for each incident and 5) Development of the final instrument.

Researchers, after surveying several studies on BARS, concluded that despite the intuitive appeal of BARS, findings from research have not been encouraging. It has not proved to be superior to other methods in overcoming rater errors or in achieving psychometric soundness. A specific deficiency is that the behaviours used are activity oriented rather than results oriented. This creates a potential problem for supervisors doing the evaluation, who may be forced to deal with employees who are performing the activity but not accomplishing the desired goals. Further, it is time consuming and expensive to create BARS. They also demand several appraisal forms to accommodate different types of jobs in an organization. In a college, lecturers, office clerks, library staff, technical staff and gardening staff all have different jobs; separate BARS forms would need to be developed for each.

### **2.5.2 Relative Standards**

In the second general category of appraisal methods, performances of individuals are compared against other individuals. These methods are relative standards rather than absolute measuring devices. The most popular of the relative methods are group order ranking, individual ranking and paired comparison.

**Group Order Ranking:** In this method, employees are placed into a particular classification, such as “top one-fifth”. For example, if a rater has 20 employees, only 4 can be in the top fifth and 4 must be relegated to the bottom fifth (Decenzo, 2002).

**Individual Ranking:** In this type of appraisal, individuals are ranked from highest to lowest. It is assumed that the difference between the first and second employee is equal to difference between 21<sup>st</sup> and 22nd employee. The manager compares each person with others rather than work standards (Dessler, 2000).

**Paired Comparison:** Employees are compared with all others pairs. That is to say everyone in the evaluation pool is compared against everyone else as a pair and recorded "plus" or "minus" when the target ratee is better or worse, respectively, than his/her comparison. The final performance ranks are determined by the number of positives. The number of comparison is followed as



difficult rating employees whose behaviour is appropriate but does not lead to the realization of objectives. An objective must satisfy what is known as SMART conditions: specific, measurable, achievable, relevant and time-bound.

Ingham (1995) defines MBO as a process that converts organizational objectives into individual objectives and consists of four steps: goal setting, action planning, self-control and periodic reviews. These four steps are merely a restructuring of the three steps of jointly plan, individually act and jointly control proposed by Peter Drucker (1954), the originator of the theory ([www.12manage.com/methods\\_smart\\_management\\_by\\_objectives.html](http://www.12manage.com/methods_smart_management_by_objectives.html)).

#### **2.5.4 360 Degree Feedback Appraisal**

The latest approach to evaluating performance is 360 degree feedback. It involves evaluating input from multiple levels within the firm as well as external sources. There are numerous authors who propose definitions of the 360 degree feedback process.

“Feedback from multiple sources or ‘360 degree feedback’ is a performance appraisal approach that relies on the input of an employee’s superiors, colleagues, subordinates, sometimes customers, suppliers and/or spouses” (Yukl&Lepsinger, 1995). Tornow (1993) observes that in 360 degree feedback programmes, feedback about a target individual is solicited from significant others using a standardized instrument. Jones and Bearley (1996) refer to 360 degree feedback as the practice of gathering and processing multi-rater assessments on individuals and feeding back the results to the recipients. Hoffman (1995) explains that 360 degree feedback is an approach that gathers behavioural observations from many layers within the organisation and includes self-assessment.

What is common in all the above definitions is that a person is rated from different sides or by different people which gives a wider perspective of the employee's competencies (Shrestha, 2007).

## **2.6 Traditional vs. Modern Approaches**

Traditionally, performance appraisal has been used as a just method for determining and justifying the salaries of employees. It was a tool for determining rewards (a rise in the pay) and punishments (a cut in the pay) for the past performance of employees. It did not consider the developmental aspects of the employee performance; that is his training and development needs or career developmental possibilities. The primary concern of the traditional approach was to judge the performance of the organization as a whole by the past performances of its employees. Therefore, this approach is also called the overall approach.

In the 1950s, performance appraisal was recognized as a complete system in itself and the modern approach to performance appraisal was developed. The performance appraisal is taken as a tool to identify better performing employees from others for delegation and responsibility, employees' training needs, career development paths, rewards and bonuses and their promotions to the next levels. It is a future oriented approach and recognizes employees as individuals and focuses on their training and development.

## **2.7 Comparison of Performance Appraisal Methods**

Each method of performance appraisal has its advantages and disadvantages, strengths and weaknesses when it comes to specific situations. In other words no one

method of appraisal can be adjudged universally appropriate. In order to determine the best appraisal method, a question should be answered: “The best for what?”

Jafari et al (2009) came out with six important criteria which are upheld by experts in choosing an appropriate appraisal method for specific purposes.

- 1). **Training needs evaluation:**The ability to distinguish staff’s training needs.
- 2). **Excite staff to be better:**Focuses on employees, their motivation, creating feedback and assists in human resource planning.
- 4). **Ability to compare:**Whenever an organization wants to make decision about preferment, eviction, privation, wage and payment and displacing, it should evaluate its employees; compare them and organization’s parts. Therefore, an appraisal method should have the ability to compare staff.
- 5). **Cost of method:**It contains cost of procurement, codifying and implementation cost.
- 6). **Being free of error:**Ability to reduce halo effects, leniency error and attribution bias.
- 7). **Coincidence with institutes:**This criterion determines whether a method coincides with organization’s institutes or not.

Studies by Jafari et al (2009) revealed that out of the eight common appraisal methods, MBO is the best in meeting the comparison criteria, followed by 360 degree feedback, BARS, checklist, forced choice and ranking, critical incident and graphic rating scale in that order. The essay method is the worst method used.

## **2.8 Empirical Studies on Performance Appraisal**

This section of the literature review is focused on specific studies conducted by researchers with the aim of finding out the relationship between performance appraisal and employee motivation in both laboratory settings and work

organisations. It thus, involves a critical review of studies on variables in the appraisal process, their relationships in terms of how and why they may be motivating or de-motivating to employees. This is immediately followed by some preliminary conclusions drawn based on the studies reviewed in order to arrive at well informed objectives, hypotheses and a conceptual framework for the current study.

### **2.8.1 Due Process in Performance Appraisal**

According to some writers, research on performance appraisal system has done little to improve its usefulness as a managerial decision-making tool (Thorndike, 1949; Banks & Murphy, 1985; Napier & Latham, 1986). Corroborating this argument, Folger, Konovsky, and Cropanzano (1992), conclude that many organisational appraisal systems have failed to realize their full potential contribution to organisational effectiveness. The question one may ask is why appraisal system effectiveness remains an elusive goal in many organisations? One explanation offered by Folger et al (1992), is that appraisal systems have traditionally been designed and implemented around a "test" metaphor. That is to say, traditional performance appraisals treat performance disagreements between managers and employees as disputes over the most accurate view of reality in which truth can be measured against some precise and consistent standard. Appraisers thus, become "truth seekers who record objective reality using reliable and valid measures"(Folger et al, 1992).

This test metaphor becomes questionable when applied to performance appraisal in service jobs where objective results are unavailable or in groups where individual

performance results are difficult to measure. In light of these questionable assumptions, Folger et al (1992) suggested that performance appraisals may be viewed more appropriately as disputes over the allocation of outcomes such as merit pay, promotion or status. They argued that a due-process metaphor, consistent with theories of procedural justice, may better address the appraisal situation than does the test metaphor.

A due-process appraisal system has three main characteristics: The first of these is adequate notice. In the context of performance appraisal, due-process requires organizations and their agents to publish, distribute, and explain performance standards to employees, to discuss how and why such standards must be met, and to provide for regular and timely feedback on performance.

The second characteristic according to Folger et al (1992) is fair hearing. This requires a formal review meeting in which an employee is informed of a tentative assessment of his or her performance and how it was derived by his or her manager, who should have a familiarity with the employee's performance based on sufficiently frequent observation of the individual's work or work product. Employees are also permitted to challenge this assessment and to provide their own commentary by conducting and presenting a self-appraisal. Fair hearing also requires that employees receive training in the appraisal process to ensure that they possess the knowledge needed to challenge assessment perceived to be unfair.

The third and final characteristic of due-process appraisal (Folger et al, 1992) is judgment based on evidence. This requires the organization and its agents to apply performance standards consistently across employees, without yielding to external pressure, corruption, or personal prejudice. Evaluations should reflect the organization's efforts to use principles of honesty and fairness, and employees should

be given an explanation of performance ratings and of reward allocations and be provided with an opportunity for discussion. Further, the appraisal system should be based on the best technology available in form, content, format and appraiser training to minimize bias.

According to Susan et al (1995), due process is intended to ensure individuals fair treatment when charged with legal violations (a right guaranteed under the Fifth and Fourteenth Amendments of the United States Constitution): (1) adequate notice - that individuals be held responsible for obeying laws only when they have been published or otherwise communicated and for satisfying only those charges explicitly presented; (2) a fair hearing - that all relevant evidence to a proposed violation be presented and considered and that charged parties be given the opportunity to provide commentary; and (3) judgment based on evidence - that judicial decisions be free from external pressures, personal corruption, and more evident sources of bias (Folger et al, 1992).

The features described above by Folger et al (1992) call for employee involvement in the appraisal process from planning through implementation to review if the process is to serve as motivation mechanism to employees. This is because participation will increase employee understanding of the process and thus, fostering employee ownership of its results. This may also bring about a “bottom-up” approach as against the traditional “top-down” approach which is abhorred by many subordinates because it gave managers undue chance to manipulate ratings in the interest of their favourites.

### **2.8.2 The Appraisal Process**

An appraisal is usually conceived of as a process of measuring and recording the performance of employees with the view to improving performance in the organisation. As espoused by Anthony, Perrewe and Kacmar (1996), a performance appraisal system must be well defined, corporately supported and monitored. It must also be widely communicated and focused towards achieving corporate objectives. This is in line with the due-process metaphor outlined by Folger et al (1992) otherwise referred to as procedural justice by Cropanzano and Folger (1991).

In order to satisfy the conditions of procedural justice and due-process metaphor, the appraisal process is detailed by academics to include the following:

1. Establishing performance standards,
2. Communicating the standards to employees
3. Measuring actual performance of employees
4. Comparing the actual with the desired performance
5. Discussing results with employees
6. Decision making.

Decision making, the last process can take several forms. These may include but not limited to training of employees to improve future performance, giving of rewards such as promotions, bonuses and demotions, delegation, autonomy and recognition. In any of such cases, the decision should be a corrective action aimed at motivating employees.

### **2.8.3 Ensuring Distributive and Procedural Justice in the Appraisal Process**

Human resource managers have recognized the important relationship between organisational justice and organisational effectiveness (Cropanzano&Folger, 1991).

There are two forms of organisational justice: distributive justice and procedural

justice. Distributive justice deals with the ends achieved (what the decisions are) or the content of fairness, whereas procedural justice is related to the means used to achieve those ends (how decisions are made) or the process of fairness (Cropanzano&Folger, 1991).

Using a managerial sample, Greenberg (1986) reported that perceived fairness of performance evaluations depended on the presence of procedural characteristics (e.g., communication, appeals process, job knowledge, consistency) and distributive characteristics (for example, rating based on performance, action based on rating). In short, the above studies indicate that employees can be motivated by an appraisal in which the process is perceived to be fair and rewards based on ratings of the said appraisal.

#### **2.8.4 Factors Related to Perceived Fairness**

Perceptions of the fairness of performance evaluations are related to managerial and professional employees' opportunities to express their feelings, the existence of a formal appraisal programme, the supervisor's knowledge of the subordinate's performance, the existence of action plans to improve performance weaknesses, and the frequency of evaluations. There are several additional fairness criteria, such as: supervisors' ability to suppress bias, create consistent allocations, rely on accurate information, be correctable, represent the concerns of all recipients, and focus on prevailing moral and ethical standards.

Greenberg (1986) suggested that soliciting and using input prior to evaluations, two-way communication, ability to challenge evaluations, rater familiarity with the ratee's work and consistency in applying standards are all related to the procedural

dimension. Performance-based ratings and rating-based recommendations for salary or promotion are related to the distributive dimension.

It has been argued that distributive justice predicts satisfaction with the outcome (that is, pay satisfaction), whereas procedural justice influences the evaluation of the organization and its authorities (that is, trust in supervision and organizational commitment) (Cropanzano&Folger, 1991). Further, if employees can be guaranteed fair procedural treatment, they are more likely to become loyal, a sign of organizational commitment. When procedural justice is fair, it is more difficult to question the outcomes (distributive justice) (Cropanzano&Folger, 1991).

Sweeney and McFarlin (1993) found that distributive justice predicts personal-level evaluations (for example, pay satisfaction) whereas procedural justice affects organizational-level evaluations (for example, organizational commitment).

### **2.8.5 Relationship between Due-process Appraisal System and Employee**

#### **Motivation**

Employees' reactions to the fairness and accuracy of the appraisal system may affect their motivation to correct weak performance or develop unused potential. Similarly, managers' reactions to performance appraisals are a necessary, if not sufficient condition to collect the relatively unbiased performance information needed for reward allocation or legal documentation. Thus, from a practical perspective, examining how due-process appraisal systems affect reactions of employees and managers may provide valuable information about whether these systems can contribute to organizational effectiveness.

Just as the fairness of the procedures associated with organisational decisions ranging from layoffs to pay allocation have been shown to affect employees'

reactions directly (Folger&Konovsky, 1989; Moorman, 1992), so are appraisal systems based on theories of procedural justice expected to affect the attitudes and behaviors of the employees and managers who use them. Although often ignored, employees' and managers' reactions to appraisal systems are essential to successfully attaining at least three purposes of appraisals - employee development, reward allocation, and legal documentation (Murphy & Cleveland, 1991). As Lind and Tyler (1988) concluded in their extensive review of the procedural justice literature, that in most situations, procedural justice judgments lead to enhanced satisfaction with both the process and the outcome.

Similarly, in a laboratory setting, Kanfer et al. (1987) reported that subjects permitted to provide information about their own performance to their manager (fair hearing) perceived the appraisal to be fair. Studying a sample of managerial employees, Greenberg (1986) found that two-way communication during the review, opportunities to rebut evaluation (fair-hearing feature), and the consistent application of a priori performance standards (adequate notice) were significantly related to individuals' perceptions of the fairness of the appraisal.

The procedural justice-satisfaction relationship is supported by several correlational studies of performance appraisal. Dipboye and de Pontbriand (1981) reported that discussing performance objectives and plans (adequate notice), providing employees with the opportunity to state their side of the issues (fair hearing), and using job-relevant performance dimensions in appraisal (judgment based on evidence) were related to employees' favorable reactions toward the appraisal system, while the first two system characteristics were also related to their satisfaction with their rating (e.g., Burke and Wilcox, 1969; Nathan, Mohrman&Milliman, 1991).

Kanfer et al (1987) found that subjects who were permitted to provide their manager with information about their performance reported greater satisfaction with their job assignments. Similar results were found in two correlational field studies. Burke and Wilcox (1969) found that employees who reported relatively open communications with their manager about performance appraisal also had higher job satisfaction, while Nathan, Mohrman, and Milliman (1991) reported that employees' opportunity to participate in the appraisal review was positively related to satisfaction with their work.

#### **2.8.6 Managers' Reactions to Due Process Appraisal Systems**

Research has shown that managers frequently distort appraisal results to further their own self-interests. For example, deflating an appraisal rating can send a message that an employee is not wanted in the manager's department, while rating inflation may occur in an attempt to make the manager and department appear good (Longenecker, Gioia, & Sims, 1987).

If the above observation is true, then due-process systems may well provoke negative reactions from managers by constraining their ability to distort the results of the appraisal. But according to Bernardin and Villanova (1986); Murphy and Cleveland (1991), it is also true that managers' own performance is highly dependent on the efforts of those who work for them. Consequently, it might be argued that they will react favorably toward a due-process appraisal system.

Whereas appraisal systems traditionally have been shown to strain managers' relationships with their employees (Bernardin & Villanova, 1986; Murphy & Cleveland, 1991), due-process appraisal systems inform employees of managers' performance expectations from the very beginning, provide opportunities for open

exchanges about factors that may impede employees' ability to meet expectations, and provide ongoing performance feedback.

Prior research by Tyler and Lind (1992) suggests that as the organisational agents responsible for implementing the procedurally just appraisal system, managers will gain increased legitimate power; that is ability to win employee acceptance of work goals and rules. Thus, managers' ability to influence employees' behavior without relying on the distortion of appraisal results or coercion should increase. Since influencing others' behaviour through the use of legitimate power is assumed to be more pleasant and easier than using manipulation or coercive power for these ends, managers should experience greater satisfaction with their job under a due-process performance appraisal (Tyler & Lind, 1992).

### **2.8.7 Relationship between Due-process and Employee Performance**

Beyond attitudinal effects, performance improvement is a primary goal of appraisal in many organisations, and participation behaviours such as staying in the organisation may have a strong impact on organisational effectiveness. Thus, it is important to determine whether due-process appraisal systems positively affect critical work behaviours.

Although Earley (1984) reported that allowing people to voice opinions about performance goals improved their subsequent performance in both laboratory and field settings, Earley and Lind (1987) found that significant performance effects emerged only in the laboratory, not in the field. Similarly, Nathan, Mohrman and Milliman (1991) found that the opportunity to participate in their performance review was only marginally related to employees' subsequent performance

improvements. Several researchers have speculated that the findings have been mixed because behaviours are multiply determined by ability, motivation, and opportunity (Lind and Tyler, 1988); thus increased compliance alone may not be sufficient to bring about increased performance. At the low-compliance end of the spectrum, employees may be unwilling to jeopardize their employment security by lowering their performance even though they feel little inclination to comply with organisational goals (Greenberg, 1986). Greenberg (1986) also argued that the effect of procedural justice on withdrawal behaviours such as absenteeism or turnover is likely to be less constrained than its effects on performance. In the light of these proposals, behavioural effects seem more likely to emerge from procedurally just appraisal systems when the dependent variable examined is relatively unconstrained by other factors such as ability, motivation and opportunity. In conclusion, therefore, one can say that a due-process appraisal does not necessarily lead to improved employee performance since other independent variables such as ability also affect performance.

#### **2.8.8 Uses of Performance Ratings**

If people perceive performance appraisal purposes differently their attitudes may also vary based on that perception. For example, how a PA is used may signal to employees their value to and future in the organization (Balzer&Sulsky, 1990; Ostroff, 1993).

Boswell and Boudreau (2000) identified two uses of performance appraisals thus, evaluative and developmental purposes. The evaluative function includes the use of PA for salary administration, promotion decisions, retention-termination decisions, and recognition of individual performance, layoffs and the identification of poor performance. Ostroff (1993) conceptualizes the above usage of PA as administrative

purpose. Cleveland, Murphy, and Williams (1989) contend that evaluative functions all involve between-person decisions. Developmental functions, on the other hand, include the identification of individual training needs, providing performance feedback, determining transfers and assignments, and the identification of individual strengths and weaknesses. These are all proposed to encompass within-person decisions (Williams, 1989).

Previous research has found that the evaluative component of PA is an important aspect of the appraisal process and a positive factor, particularly if it strengthens appraisal-reward contingencies (Cleveland, Murphy & Williams, 1989; Prince & Lawler, 1986). It has also been proposed that evaluation is often of a negative nature (Blau, 1964; Meyer, Kay, & French, 1965), whereas development is more likely to be viewed positively because of its futuristic and helpful focus (Milkovich & Boudreau, 1997).

Many researchers believe that criticizing employees, as is often done in evaluations, fosters defensiveness and rationalization, which usually results in non-constructive responses (Blau, 1964; Meyer, Kay & French, 1965). As suggested by Drenth (1984), evaluation is a sensitive matter, often eliciting negative psychological responses such as resistance and denial. Thus, high perceptions of evaluative PA use may result in negative feelings about the appraisal.

Indeed, the influence of perceived evaluation on employee reactions may depend on the perceived fairness of the PA process (that is, procedural justice) and the outcome (distributive justice) so that there is a positive reaction when justice is perceived and a negative reaction when there is perceived injustice. Related appraisal outcomes, such as PA rating, may moderate the relationship between perceived evaluative use and feelings about the appraisal so that those employees who receive positive

outcomes will be pleased with evaluative PA use and those that receive negative outcomes will not.

Practitioner articles have argued for the importance of developmental feedback in order for employees to understand better how they can improve in the organization and that employees are generally more committed to an organization that provides development (Dessler, 1999; Gaines, 1994; Martin, 1992; Stein, 1996; Yaney, 1988). Employees who perceive development in the PA may see this as a signal of their value to the company or future in it, resulting in positive affect associated with this feedback.

Dipboye and de Pontbriand (1981) similarly showed that employees were more satisfied and had greater acceptance of the PA when employee development and performance improvement were emphasized in it. Related research on PA objectivity, fairness, and accuracy has shown that performance improvement discussions have a positive effect on these variables (for example, Fulk, Brief & Barr, 1985; Goodson & McGee, 1991). This indicates that in general, employee feelings toward the PA should be enhanced when development is a component.

## **2.9 Performance Appraisal as Tool for Employee Motivation**

Intrinsically motivated employees work for the inherent satisfaction of the labour (Cameron & Pierce, 2002; Ryan & Deci, 2000), whereas extrinsically motivated employees engage in the work in order to obtain some goal that is apart from the work itself (Amabile, 1993). Hackman and Oldham (1980) argued that strong intrinsic motivation occurs when three psychological states are created: 1)

experienced meaningfulness of the work, 2) experienced responsibility for outcomes of the work, and 3) knowledge of the actual results of the work activities.

Organisations should, therefore, restructure work to induce intrinsic motivation. Greater skill variety, task identity, and task significance increase the experienced meaningfulness of the work, autonomy raises experienced responsibility, and feedback provides knowledge of results (Hackman & Oldham, 1980). PAS is one means to facilitate that feedback.

Herzberg (1968) considered that extrinsic rewards are more likely to provide employee movement in the manner of a positive 'KITA' (kick in the ass) for fear of punishment or failure to get an extrinsic reward rather than true motivation. Motivation is an important issue in any organisation because it is involved in energizing or initiating human behaviour, directing and channeling that behaviour and sustaining and maintaining it (Steers & Porter 1987).

Herzberg (1987) argues that in order to motivate employees through performance appraisal, the system should be used for reward and recognition. But initial consideration of reward and recognition systems could lead to the belief that they consist only to provide extrinsic motivation. This argument is supported by Deci (1972) who showed a decrease in intrinsic motivation when extrinsic rewards were used to promote behaviour. It is important to note that the reduction in intrinsic motivation occurred with monetary rewards, but not with verbal praise. There is no doubt, however, that extrinsic incentives can boost performance (Herzberg, 1987). Hamner (1987), (when considering forms of external incentive such as merit pay schemes) cautions that these systems can fail for a number of reasons including: if pay is not related to performance; if ratings are seen to be biased; if rewards are not

viewed as rewarding; if there is more emphasis on satisfaction with pay than performance; and if there is a low level of trust and openness about the merit raises.

Again, some merit pay schemes may encourage poor work practices as individual employees attempt to maximize their personal gains to the detriment of the entire organisation (Hickey & Ichter, 1997).

What types of reward or recognition are best to increase intrinsic motivation and enhance individual performance and job satisfaction? Popp and Fox (1985), Kovach (1987) and Hede (1990) conducted surveys and provided answers to this question. They found that employees sought achievement, responsibility and growth as the highest priority for incentives in their work. A reward and recognition system that addresses these areas should produce the desired outcome.

Joint goal setting can provide a number of these employee rewards as individual employees can negotiate desired outcomes with management (Dunford, 1992). The employee who plays an integral part in the development of these goals is more likely to perceive the outcome as being achievable and to be committed to achieving them (Robbins et al, 1998). Management involvement will ensure the goals are consistent with corporate objectives and that they provide challenging opportunities for the employee to use their current skills and abilities and to encourage the development of new ones. Public acknowledgment of the agreed goals and their achievement is important to reinforce the desired behaviour (Robbins et al, 1998). This could be undertaken in the form of a quarterly achievement award and presentation (London & Higgot, 1997).

Finally, it must be remembered that the exact nature of the reward must be tailored to the individual because each employee will place a different emphasis on the issues

they perceive as important. This may be to ensure the rule of valence in expectancy theory by Vroom (1964).

Governments largely rely on “separable consequences” (for example, pay, promotions, working conditions, and fringe benefits) to motivate employees (Kellough, 2002; Nigro&Nigro, 2000), even though many researchers have regarded intrinsic motivation as more important (Ryan &Deci, 2000). Frank and Lewis (2004), for instance, found that intrinsic motivators are more strongly related to self-reported work effort than are extrinsic motivators.

Until the 1960s, the dominant perspective was that extrinsic and intrinsic motivations were independent and that performance would be highest when they were combined (Cameron and Pierce, 2002). Several studies, however, suggested that extrinsic rewards can drive out intrinsic motivation, particularly when a majority of employees are intrinsically motivated (Canton, 2005; Frey, 1997; James, 2005; Kohn, 1993; Ryan &Deci, 2000).

Other empirical studies, however, indicated that pay is an important motivator (Lawler, 1971; Locke, Feren, McCaleb, Shaw & Denny, 1980) and that extrinsic rewards do not negatively affect intrinsic motivation (Cameron, Banko& Pierce, 2001; Eisenberger& Cameron, 1996).

### **2.9.1 Detriments to Effectiveness of Performance Appraisal**

Studies have shown that some factors are detrimental to the effectiveness of performance appraisal. According to Deluca (1993), these factors include: exemptions to the highly visible employees, conduct of performance appraisal to punish the low performers, rewards on nonperformance, doubts in the mind of

performers about appraisal's after-effects and organisation's politics that disturb performance of targeted employees.

Contributing to the list of factors that lead to ineffectiveness in appraisal Segal (2000) considers the use of fundamentally flawed appraisals, focus on encouraging individual which automatically discourages teamwork/collaboration, inconsistencies in setting and applying appraisal criteria, focus on extremes (exceptionally good or poor performance), appraisal's focus on achievement of short-term goals, support to autocrat supervisors, subjectivity of appraisal results and creation of emotional anguish in employees.

Finally, Horvath and Andrews (2007) identified inaccuracies at supervisor/organisation's end in appraisal ratings as a major detriment to appraisal effectiveness.

After going through the literature reviewed on the topic, one would not be wrong to conclude that rater training, procedural justice and interactional justice can reduce these detriments to the barest minimum for organisational effectiveness.

### **2.9.2 Some Preliminary Conclusions**

Based on the literature reviewed so far, the following preliminary conclusions were reached by the researcher:

- Employee reactions to performance appraisal depend on the perceived fairness of the process and its outcome.
- How a PA is used may signal to employees their value to and future in the organization
- Employees will generally prefer developmental performance appraisal to evaluative performance appraisal.

- Subjectivity in appraisal is inevitable but can be minimized through training and the implementation of due process/procedural justice.
- Employee participation in the appraisal process generates employee ownership of the system and also improves perception of fairness of ratings.
- Performance appraisal is not the only factor responsible for employee motivation in organisations.
- A due-process performance appraisal does not necessarily lead to higher performance since performance is also dependent on other factors such as ability, motivation and opportunity.

**Figure 2.1: A Conceptual Framework on Effects of Employee Appraisal System**



Figure 2.1 shows the concept of performance appraisal and its effects on organisational performance. The employer/organisation chooses an appraisal approach or a mix of approaches to appraise the performance of employees. The employee is either motivated or de-motivated to perform depending on how the

appraisal was administered. Whether employees are motivated or de-motivated, it affects their level of performance which in turn affects output (productivity). The employer/organisation receives this output as feedback on the effectiveness or otherwise of the appraisal process.

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## CHAPTER THREE

### METHODS OF DATA COLLECTION AND FIELDWORK

#### 3.1 Introduction

This chapter describes the research design and methods used in obtaining data for the study. It also describes how the methods were used to collect the data and the field experiences of the researcher. The chapter is divided into three sections. The first section describes the research design and sampling procedure. It also examines the specific characteristics of the sample. The second section describes the specific tools used in collecting data and the data collection procedure. The third section gives account of the fieldwork and experiences encountered with respondents and field situations. It also describes the crafting of the research item.

#### 3.2 Research Design

The study was an exploratory research designed to investigate and add knowledge to existing literature on the use of performance appraisal in employee motivation in Ghana. The strategy employed by the researcher was the social survey. This exploratory study design utilized the social survey approach that used self-administered questionnaire on a non-probability sample to collect data. The data were analysed using parametric models to determine relationships and patterns of association among variables. The choice of social survey was made because time available for the completion of the study was limited to one academic year and as such a social survey is one of the strategies appropriate for investigating a social phenomenon within such a short time period.

### **3.3 Sampling Procedure**

#### **3.3.1 Target Population**

The target population for the study comprised all present employees of registered financial institutions in Ghana where human resource practice include employee performance appraisal. The population included management staff, senior staff and junior staff of registered financial institutions who were presently at post in the said institutions.

#### **3.3.2 Study Population**

Employees of six financial institutions namely; the Ghana Commercial Bank Limited (GCB) Tek Branch, State Insurance Company Limited (SIC) Kumasi Office, Metropolitan Insurance Company Limited (MICL) Adum, United Bank for Africa (UBA) Adum, Ecobank Limited Harper Road and Kumawuman Rural Bank Limited (KRBL) Bomso, constituted the study population. This was because there were so many financial institutions in Ghana and it was practically impossible to study all employees in all these institutions within one academic year. Consequently, these six (6) financial institutions were chosen in the Kumasi Metropolis for reasons of proximity and convenience to represent the larger population of employees in all registered financial institutions in the country.

#### **3.3.3 Sampling Units**

The sampling units for the study are the individual employees of the six (6) selected institutions in the Kumasi Metropolis. These comprise managers/heads of

departments/sections of the selected institutions (who conduct appraisal of their subordinates' performance) and workers whose work were appraised.

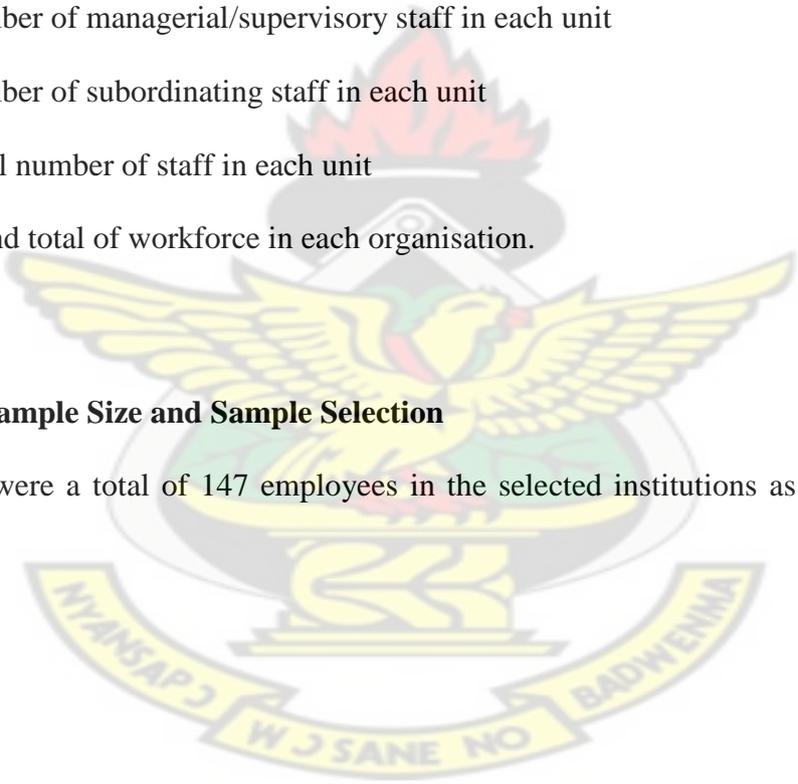
### **3.3.4 Sampling Frame**

The sampling frame for the study population was obtained from the administration/secretarial section of each of the selected institutions taking the following into account:

- 1) List of the various units/sections of the selected institutions with:
  - a) Number of managerial/supervisory staff in each unit
  - c) Number of subordinating staff in each unit
  - d) Total number of staff in each unit
- 2) Grand total of workforce in each organisation.

### **3.3.5 Sample Size and Sample Selection**

There were a total of 147 employees in the selected institutions as shown in table 3.1.



**Table 3.1: Sample Characteristics and Sample Selection Procedure.**

No.	Name of institution	No. of supervisors	No. of subordinates	Total staff strength	No. of supervisors sampled	No. of subordinates sampled	Total number sampled
1	MICL Adum	1	8	9	1	$\frac{1}{2} \times 8 = 4$	5
2	KRBL Bomso	3	14	17	2	$\frac{1}{2} \times 14 = 7$	9
3	GCBL Tek	2	9	11	1	$\frac{1}{2} \times 9 = 5$	6
4	Ecobank Harper Rd	3	34	37	3	$\frac{1}{2} \times 34 = 17$	20
5	SIC Kumasi	6	42	48	3	$\frac{1}{2} \times 42 = 21$	24
6	UBA Adum	2	23	25	2	$\frac{1}{2} \times 23 = 12$	14
TOTALS		17	130	147	12	66	78
Total sample size: 12 supervisors + 66 subordinates = 78 respondents							

*Source: Field Survey November, 2010*

Out of these, 17 were managerial/supervisory staff and 130 were workers consisting of junior staff and senior staff. For the managerial staff, 12 were purposively sampled because of their peculiar role in appraising the performance of their subordinates. In the case of the subordinates, however, the proportionate stratified random sampling technique was used to select a sample size of 66 from the six institutions as follows:

In order for the findings of the study to be representative of the selected institutions and to improve generalizability, 50% of the worker population was sampled because the institutions did not permit whole enumeration for reasons of time unavailability. Fifty percent (50%) of 130 would lead to sample size of 65 which is statistically large enough to do test of significance and draw inferences. This led to an approximated sampling fraction of  $1/2$  from  $65/130$ . This was multiplied by the number of subordinates in each institution to obtain the sample to be selected from the institution as shown in the table above. The simple random sampling was then used to select the required fraction from each of the populations since respondents were homogenous. The population of each institution was divided into two halves with one-half 'yes' responses and one-half 'no' responses written on pieces of paper and folded. Respondents chose from a box that had the folded sheets labeled 'yes' or 'no' to determine if they were going to be part of the sample or not. The proportionate stratified sampling was used for the workers because the institutions were of unequal populations and as such the samples needed to be proportionate to the populations in order to permit possible comparison of findings.

### **3.4 Tools for Collecting Primary Data**

The self-administered questionnaire was used as the main tool for data collection. Two different sets of questionnaire were administered – one for managers/heads of departments (who appraise the performance of subordinates) and one for the subordinates. The choice of self-administered questionnaire was made because all the respondents were literate and could, therefore, read, comprehend and write to answer questions. The questions were all close-ended questions in order to permit vivid comparison of responses. This was further necessitated by the fact that open-

ended questions were not answered by most respondents during the pre-test of the questionnaires indicating that they would be treated likewise if repeated in the final questionnaire.

### **3.5 Fieldwork**

In Ghana, organisations have rules and regulations governing the conduct of research into their operations. These corporate rules determine what information should be released or not to researchers. For these reasons it is ethically binding on researchers to seek approval from top management before studies are conducted in organisations. In order to satisfy the above conditions, letters of introduction were sent to the selected institutions for approval before the research commenced. This gave the researcher the opportunity to establish good rapport with officials of the organisations and also to explain the import and extent of the study. This again gave the researcher the opportunity to collect information on the organizations' workforce in order to select an appropriate sampling technique for the study.

#### **3.5.1 Piloting of the Questionnaire**

Piloting of the research tool was necessary just to be sure that the questions asked were understood by respondents and to ascertain logical sequence of questions asked. A mailed questionnaire (N = 15) was thus, sent to employees of Ghana Commercial Bank Limited, Kasoa Main Branch, which was not among the selected institutions for the study. The results of the initial piloting helped in restructuring the questionnaire and making the necessary corrections. It was seen that most respondents failed to answer open-ended questions indicating that similar or same

thing would happen in the final data collection. This necessitated the provision of multiple responses for open-ended questions for post testing.

### **3.5.2 Post piloting of the Questionnaire**

After the questionnaire was restructured making room for only multiple choice questions, it was again administered to workers of Glico (Gemini Life Insurance Company) Kumasi Branch (N = 15). All questions were answered indicating that respondents' preference was for closed-ended questions only. This may be due to the fact that employees of financial institutions are usually too busy to find time to think and answer open-ended questions especially when they are at work. Hence, the final data collection instrument was prepared using only closed-ended questions.

### **3.5.3 Questionnaire Administration**

After the final version of the questionnaire was produced, it was used to collect data from the selected institutions for the study. The questionnaire distribution and collection were done by hand. Field editing of completed questionnaires and follow-up visits were conducted by the researcher to ensure that all questions were answered and that responses were consistent before the questionnaires were collected finally.

### **3.5.4 Response Rate (N = 70)**

Generally, the response rate was very encouraging. In all, 78 questionnaires were distributed and 70 of these were answered and returned indicating 89.74% response rate. After editing, three (3) questionnaires were dropped because respondents did not comply with instructions which demanded ticking only one correct answer to a

given item. Another one (1) was dropped in order to get the actual sample size of 66 thus obtaining 100% response rate ( $N = 66$ ) from subordinates. In all, four (4) questionnaires were dropped.

In the case of the supervisory staff, all 12 respondents completed and submitted their questionnaires even though this was prolonged. Finally, the total sample size of 78 respondents was obtained for the study.

### **3.5.5 Field Problems Encountered**

A number of problems were encountered by the researcher in the course of questionnaire administration. In the first place, some respondents felt reluctant to participate in the study because they could not perceive any immediate benefits to them. Some also complained of being fed up with answering questionnaires all the time. The researcher took time to explain to them that the study was an academic pursuit; although findings could inform policy through publication.

Some respondents, especially bank workers, also complained of time constraints in answering the questionnaires. This was due to constant pressure from customers for services. To help solve this problem the questionnaires were given to such respondents to carry home to answer them at their convenience. Enough time was given to them and several follow-ups and verbal reminders were made towards collection of answered questionnaires.

A few number of participants (subordinates) also feared that their participation would lead to victimization. They thought that if they gave unfavourable answers about their supervisors, it could jeopardize their job security. This problem was, however, solved when the researcher assured them of anonymity and confidentiality of all information gathered.

A few questionnaires (N = 3) were also misplaced by respondents notably supervisors. Extra copies of the questionnaires were always kept handy by the researcher and such cases of lost questionnaires were resolved easily through replacement. This, however, delayed the process a little since more time was again needed to complete such questionnaires especially among bank workers.

Some respondents (N = 8) totally refused to answer any questionnaire because, for them, it was waste of time. Others who finally collected it after pleas from the researcher complained that the number of questions to be answered were too many. The above problems together dragged the data collection period over four (4) weeks contrary to the researcher's earlier anticipation of three (3) weeks.

### **3.6 Secondary Information**

Already documented information in the form of textbooks, journals, theses and dissertations were evaluated and used for the study. Relevant information from these sources was reviewed to ensure proper understanding of the subject of investigation. This allowed for comparison of ideas and findings of earlier researchers on the topic of investigation thereby enabling analysis of relevant variables in the present study. It is pertinent to note that whereas some of these pieces of information were obtained through library reading, others were obtained on the internet using scholarly search engines.

### **3.7 Data Handling and Analysis**

This consisted of field editing and data entry. The aim of editing the questionnaire was to detect unanswered questions and return them for completion by respondents. It was also to eliminate errors such as double answers. Data was cleaned and coded

for entry into the SPSS for Windows software by the researcher. Computer editing was done after keying in of the data was completed. The data were analysed and presented statistically using frequency tables, pie charts, bar charts and inferential tools vis-à-vis scatter plots, cross-tabulation and correlation for the interpretation of the data and hypothesis testing.

The use of correlation was necessary because of four main reasons. First of all, the study was intended to find out if there was any relationship between the variables in the research hypotheses. Secondly, if there was any relationship, the researcher was interested in knowing the direction of the relationship; whether positive or negative. Thirdly, the study was also intended to find out (in cases where variables were related) how much the variables in the research hypotheses were related, that is, the margin of dependence. Finally, the data gathered had characteristics of interval scale (ranked ordered and given numerical values) and as such scatter plots and bivariate tables were appropriate tools for making inferences about the study population based on the sample data.

### **3.8 Ethical Considerations**

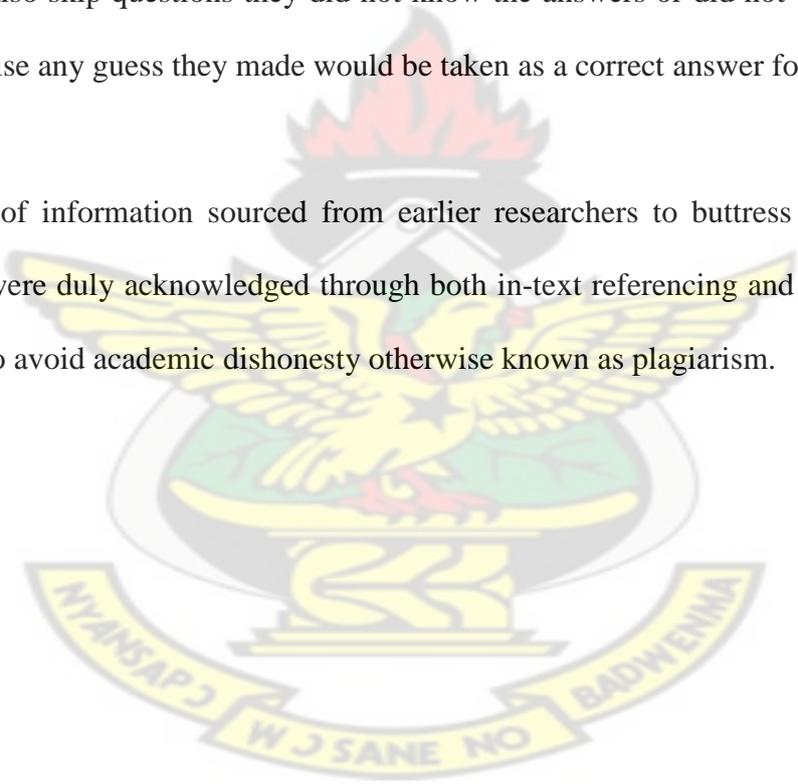
In this study, ethical issues of informed consent, invasion of privacy, anonymity of respondents, confidentiality, voluntarism and plagiarism were catered for. On informed consent, I sought the permission of all participants in the research before the conduct of the study. That is, introductory letters were sent to the management of the selected institutions and their approval received before the commencement of the research.

In order not to unnecessarily invade the privacy of participants, the researcher made telephone calls and prior visits to management so that data gathering periods were

scheduled at convenient hours in order not to unduly interrupt their work schedules. Neither names nor any identifiable information from respondents was taken as a way of ensuring the ethical principle anonymity in social research. This was to prevent possible victimisation of respondents in cases where certain responses may be viewed as unpalatable to management or colleagues.

While distributing the questionnaire, the researcher verbally informed all respondents who consented to answer the questionnaire that their participation was voluntary and as such they could opt out at any stage of the research process. They could also skip questions they did not know the answers or did not want to answer; otherwise any guess they made would be taken as a correct answer for analysis of the data.

Pieces of information sourced from earlier researchers to buttress analysis of the study were duly acknowledged through both in-text referencing and bibliography in order to avoid academic dishonesty otherwise known as plagiarism.



## CHAPTER FOUR

### DATA ANALYSIS AND PRESENTATION

#### 4.1 Introduction

The findings of the study were broadly grouped into five areas for analysis namely; socio-demographic characteristics of respondents, appraisal approaches identified, the extent of employee participation in the appraisal process and its effect on employee motivation, the nature of manager/subordinate relationship and its effect on employee motivation and finally hypotheses testing.

#### 4.2 Socio-demographic Characteristics of Respondents

An analysis of background information of respondents in a study like this was necessary because people's socio-demographic characteristics are important in determining what kind of work they can do and what levels of performance they can achieve. The background information of respondents studied in this work included sex, age, marital status, level of education and number of years of work.

##### 4.2.1 Sex of Respondents

In a world where attention is gradually and consciously drawn towards women empowerment through education, political participation and waged employment in the non-agricultural sector, it would be heart-warming for feminists to hear that majority of the respondents (54.5 percent) were females (table 4.1a). The male respondents were 44.5 percent. This was because of the nature of the job which required patience and dexterity. In the managerial/supervisory staff, however, the male population assumed a very significant dominance over that of the females. About 83.3 percent of the respondents were males whereas the female respondents

were only 16.7 percent. The reproductive roles of women prevented them from assuming supervisory roles because they produced conflict situations which hampered their personal development.

**Table 4.1a: Sex of Respondents**

Sex of Employees			Sex Managerial/supervisory Staff		
Sex	Frequency	Percentage	Sex	Frequency	Percentage
Male	30	44.5	Male	10	83.3
Female	36	54.5	Female	2	16.6
Total	66	100	Total	12	100

*Source: Field Survey June, 2010*

#### 4.2.2 Age of Respondents

In terms of age 62.1 percent of the respondents were below 30 years, 25.7 percent were in the 30 – 39 years age band while the remaining 12.1 percent were in the 40 – 49 years age band. The managerial staff had the majority of its respondents in the middle and latter stages of their working lives as 33.3 percent fell within the 40 – 49 years age group and another 33.3 percent were aged between 50 – 59 years. Only 16.7 percent of managerial staff were below 30 years and 17.6 percent were in the 30 – 39 years old band.

The age distribution of both employees and managerial/supervisory staff is presented in table 4.1b.

**Table 4.1b: Age of Respondents in Years**

Age of Employees			Age of Managerial/supervisory Staff		
Age group	Frequency	Percentage	Age Group	Frequency	Percent
Below 30	41	62.1	Below 30	2	16.7
30 – 39	17	25.7	30 – 39	2	16.7
40 – 49	8	12.1	40 – 49	4	33.3
Total	66	100	50 – 59	4	33.3
			Total	12	100

Source: Field Survey June, 2010

#### 4.2.3 Marital Status of Respondents

Among subordinate staff, 54.5 percent were found to be single (never married) and the remaining 45.5 percent were married people. With regards to supervisory staff, 75 percent of them were married and 25 percent were single (never married) (Table 4.1c).

**Table 4.1c: Marital Status of Respondents**

Marital Status of Employees			Marital Status of Managerial/supervisory Staff		
Marital Status	Frequency	Percent	Marital Status	Frequency	Percent
Never married	36	54.5	Never married	3	25
Married	30	45.5	Married	9	75
Total	66	100	Total	12	100

Source: Field Survey June, 2010

#### 4.2.4 Educational Level of Respondents

Educational attainment among respondents was generally high as 66.7 percent of respondents had had tertiary education, 30.3 percent had completed post-tertiary education and just 3 percent had secondary school certificates. The managerial staff proved superior to their subordinates in academic achievement as 58.3 percent of

them had post-tertiary education and the remaining 41.7 percent had tertiary education. The educational background of respondents is presented in table 4.1d.

**Table 4.1d: Educational Level of Respondents**

Educational Background of Employees			Educational Background of Managerial Staff		
Level of Education	Frequency	Percent	Level of Education	Frequency	Percent
Secondary	2	3	Tertiary	5	41.7
Tertiary	44	66.7			
Post-tertiary	20	30.3			
Total	66	100	Total	12	100

*Source: Field Survey June, 2010*

#### 4.2.5 Years of Service

Majority of respondents (51.6%) had no work experience before they were employed by their present organisations. Following them was 37.9 percent of respondents who had had one to five years working experience before joining their current organisations. Finally, 6.1 percent had six to ten years working experience before they were engaged by their current organisations. From table 4.1e, it was noted that 10.6 percent of respondents were newly employed; working for less than one year whilst majority of the respondents (74.5%) had worked for one to five years in their current organisations. Only 6 percent of respondents had worked for more than ten years in their current jobs.

**Table 4.1e: Years of Service**

Years worked before joining present organisation			Years worked in present organisation		
No. of years	Frequency	Percent	No. of years	Frequency	Percent
None	37	51.6	Less than 1 year	7	10.6
1 – 5	25	37.9	1 – 5	49	74.2
6 – 10	4	6.1	6 – 10	6	9.1
Total	66	100	11 – 15	1	1.5
			16+	3	4.5
			Total	66	100

*Source: Field Survey June, 2010*

### **4.3 Appraisal Approaches Identified**

Approaches to employee performance appraisal may be identified either based on how performance was evaluated (procedural approaches) or based on what the feedback was used for (distributive approaches).

#### **4.3.1 Procedural Approaches**

Four approaches to appraisal were identified in the institutions based on analysis of the data gathered on how the appraisal was conducted. When they were asked how their performance was measured, 97 percent of respondents reported that their performance was measured against standards/objectives set to achieve (absolute standards) and 3 percent of them said that their performance was measured by a comparison with the performance of their colleagues (relative standards). Decenzo (1998) and Dessler (2000) refer to the above forms of measurement as absolute

standards and relative standards respectively. From these analyses, one could say that majority of respondents had their performances measured using absolute standards (Table 4.6a).

**Table 4.2a: Criteria Used to Measure Employee Performance**

Measurement Criteria	Frequency	Percent
By comparison with objectives set to achieve (Absolute standards)	64	97
By comparison with performance of colleagues (Relative standards)	2	3
Total	66	100

*Source: Field Survey June, 2010*

Again, when respondents were asked who else took part in measuring their performance apart from self-evaluation, majority (81.8 percent) of respondents said that their performance was measured by their managers while 3 percent said that their performance was measured by their colleagues (indicating peer evaluation) and 15.2 percent indicated that their performance was measured by multiple sources (Table 4.2b).

**Table 4.2b: Evaluators of Employee Performance**

Evaluator	Frequency	Percent
Colleagues	2	3
Manager	54	81.8
Multiple Sources	10	15.2
Total	66	100

*Source: Field Survey June, 2010*

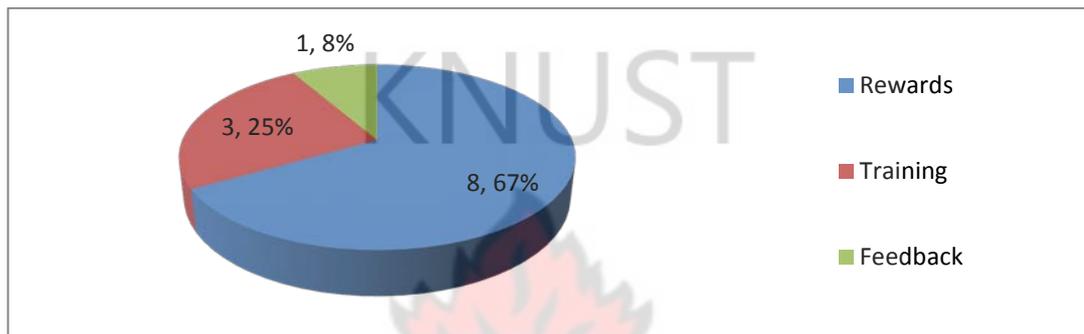
The study again revealed that a total 77.2 percent of respondents (table 4.7a) took part in setting their job objectives, 92.4 percent (table 4.7b) took part in evaluating their performance and 93.9 percent (figure 4.1) had opportunity to review interview after receiving performance feedback. These figures served as evidence that financial institutions in Ghana also used management by objectives to evaluate the performance of their workers. This was a situation where objectives were jointly set and jointly monitored periodically by both managers and employees and rewards administered based on performance (Decenzo and Robins, 1998; Ingham, 1995; Drucker, 1954)

#### **4.3.2 Distributive Approaches**

Two more approaches to performance appraisal were further identified based on what feedback was used for. Majority of managers (67 percent) used feedback for rewards administration to employees. Boswell and Boudreau (2000) term this as evaluative approach (traditional approach) and Ostroff (1993) refers to it as administrative purpose. Twenty five percent (25%) of managers also indicated that they used feedback to identify strengths and weaknesses of employees in order to

train and develop them for improved future performance and 8 percent of the managers also used ratings for documentation and providing feedback to employees. The use of ratings for training and development and provision of feedback to employees is referred to as developmental approach (modern approach) by Boswell and Boudreau (2000).

**Figure 4.1: Uses of Employee Performance Appraisal Feedback**



*Source: Field Survey June, 2010*

#### **4.4 Employee Participation in the Appraisal Process**

One of the specific objectives of the study was to find out the level of employee involvement in the appraisal process. To this effect, respondents were asked to rate their participation/involvement in the three major stages of the appraisal process namely; setting of job objectives, performance evaluation and review interview. Their responses were analysed and presented as follows:

##### **4.4.1: Employee Participation in Setting Objectives**

Table 4.3a showed that 77.2 percent of respondents took part in setting job objectives/standards while 22.8 percent did not participate in setting standards which they worked to achieve. Out of the 77.2 percent of respondents who participated in setting standards, 1.5 percent of them rated their participation as below average, 10.6

percent rated it as average, 21.2 percent reported that their participation was good and 30.3 percent described it as very good. The table also showed that 6.1 percent of respondents did not participate at all in setting their job objectives. This meant that their job objectives were more or less imposed upon them.

**Table 4.3a: Employee Participation in Setting Job Objectives**

Level of Participation	Frequency	Percent
Not at all	4	6.1
No participation	11	16.7
Below average	1	1.5
Average	7	10.6
Good	14	21.2
Very good	20	30.3
Excellent	9	13.6
Total	66	100

*Source: Field Survey June, 2010*

#### **4.4.2: Employee Involvement in Performance Evaluation**

Results of the study indicated that an overwhelming majority (92.4 percent) of respondents took part in evaluating their performance. Only 7.6 percent who reported that they did not take part in evaluating their work. This meant that 7.6 percent of respondents had their performance measured and rated entirely by someone else (Table 4.3b).

**Table 4.3b: Employee Involvement in Performance Evaluation**

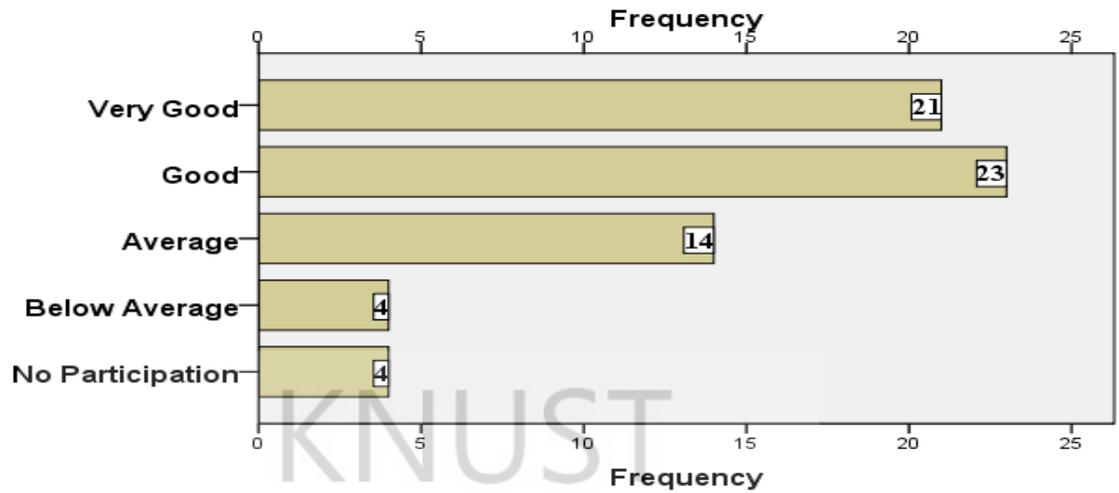
Level of Participation	Frequency	Per cent
No self-evaluation	5	7.6
Below average	3	4.5
Average	1	1.5
Good	6	9.1
Very good	46	69.7
Excellent	5	7.6
Total	66	100

*Source: Field Survey June, 2010*

#### **4.4.3: Employee Participation in Performance Review Interview**

Figure 4.2 indicated that 62 respondents (93.9 percent) had opportunity to review interview after receiving feedback from their performance appraisal. This meant that they had the opportunity to challenge their ratings for possible adjustment of results or at least they discussed with management the reasons for their successes and failures in the appraisal process (Figure 4.2).

**Figure 4.2: A Bar Chart Showing Level and Frequency of Employee Participation in Review Interview**



*Source: Field Survey June, 2010*

#### 4.4.4 Satisfaction with Feedback

One more specific aim of the researcher was to find out whether employees in financial institutions were satisfied with feedback from their performance appraisal.

Below is a table which summarised employees’ level of satisfaction with feedback.

**Table 4.4: Employees’ Level of Satisfaction with Feedback**

Level of Satisfaction	Frequency	Percent
Not satisfied	2	3
Average	10	15.2
Satisfied	27	40.9
Very satisfied	22	33.3
Excellently satisfied	5	7.6
Total	66	100

*Source: Field Survey June, 2010*

From Table 4.4, it was observed that only 3 percent of respondents were not satisfied with their feedback while 97 percent of them were satisfied. These figures

showed that the level of satisfaction with feedback among employees was generally high probably due to their involvement in the appraisal process which included setting objectives, self-evaluation and review interview.

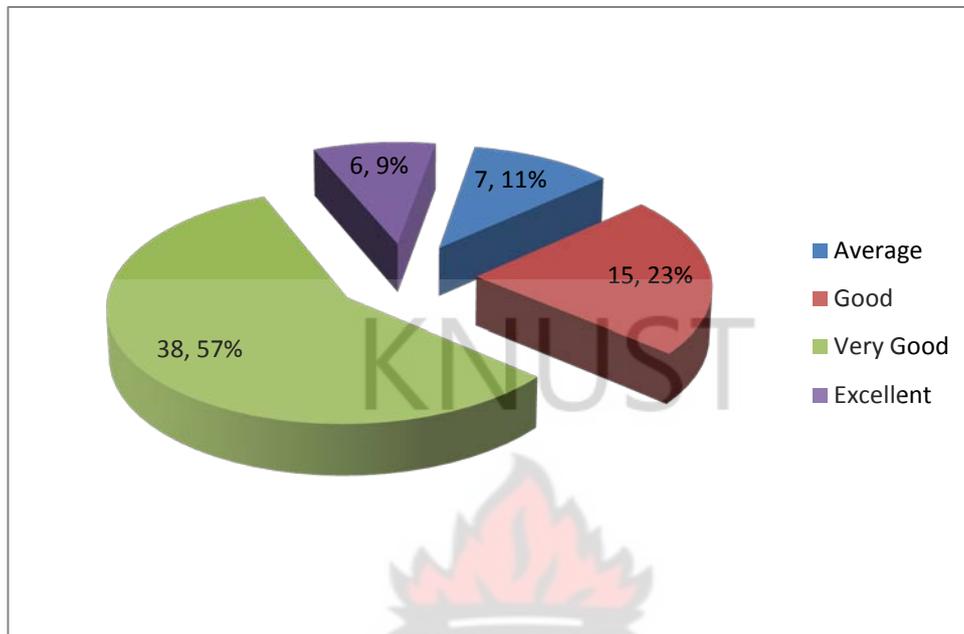
#### **4.5 Nature of Manager/Subordinate Relationship**

The nature or quality of manager/subordinate relationship was studied in order to find out what consequences it could have on employee motivation. Areas of manager/subordinate relationship which were studied included managers' level of assistance towards achieving goals, the quality of interpersonal communication between managers and subordinates, the level of managerial tolerance towards employees' failure to meet targets and level of recognition to employees' success in achieving organisational objectives. These factors can influence the level of belongingness and acceptance among organisational members and thus, have the capacity to influence employees' level of motivation.

##### **4.5.1 Level of Managerial Assistance towards Goal Attainment**

All respondents in the study agreed that they were assisted by their managers in order to meet their job objectives and targets. However, the level of assistance they received varied from respondent to respondent. In figure 4.3, 9 percent of respondents described the support they received from their managers as excellent, 57 percent of respondents rated it as very good, 23 percent of them rated it as good and 11 percent said it was average.

**Figure 4.3: A Pie Chart Showing Level of Assistance Employees Received from Managers towards Goal Attainment**

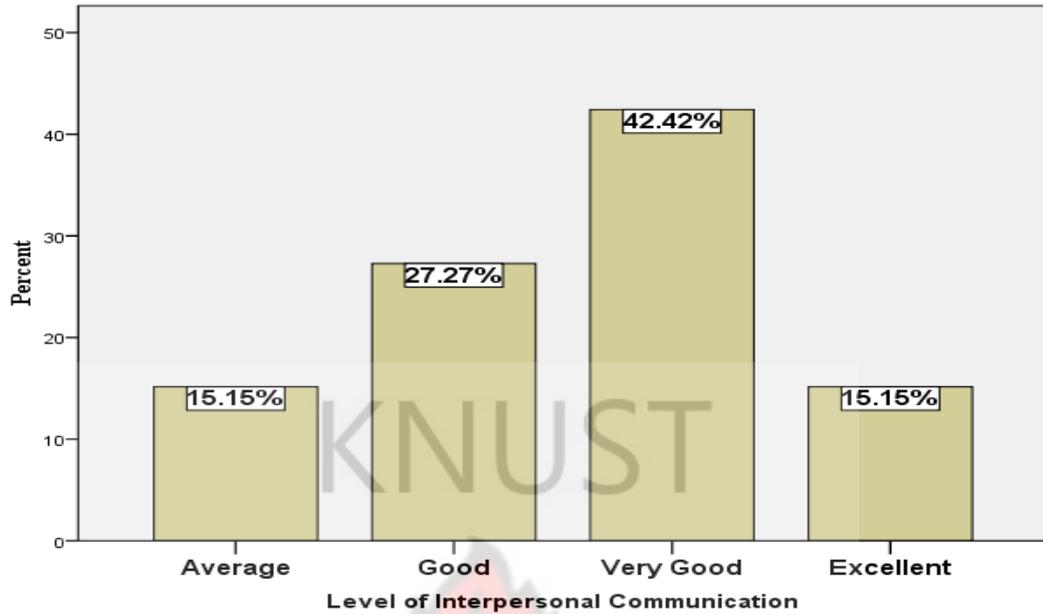


*Source: Field Survey June, 2010*

#### **4.5.2 Quality of Manager/Subordinate Interpersonal Communication**

Majority (42.42 percent) of respondents said communication with their managers was very good, 27.27 percent of them said it was good and 15.15 percent of respondents rated the quality of interaction between them and their managers as excellent. Another 15.15 percent of respondents, however, rated the level of interpersonal communication with management as average (Figure 4.4). This meant that the quality of manager/subordinate interpersonal communication varied among employees in the organisations. Not all employees enjoyed equal treatment in terms of manager/subordinate interpersonal relationship.

**Figure 4.4: A Bar Chart Showing Quality of Manager/Subordinate Interpersonal Communication**



*Source: Field Survey June, 2010*

#### **4.5.3 Level of Managerial Tolerance to Failure**

Table 4.5 shows that 78.8 percent of respondents viewed managers as tolerant even when targets were not met and 21.2 percent of respondents said that managers were intolerant to failure. This meant that some managers either blamed or scolded employees for failure to achieve objectives.

**Table 4.5: Level of Managerial Tolerance to Employees' Failure to Achieve Goals**

Level of Tolerance	Frequency	Per cent
Not tolerant at all	7	10.6
Not tolerant	7	10.6
Average	5	7.6
Good	26	39.4
Very good	19	28.8
Excellent	2	3
Total	66	100

*Source: Field Survey June, 2010*

#### **4.5.4 Level of Managerial Recognition to Success**

On how much recognition employees received from their supervisors/managers for achieving their objectives, only 1.5 percent of respondents reported that managers did not show any appreciation for jobs well done as against 98.5 percent of respondents who said that their managers were appreciative of their success. This meant that 98.5 percent of respondents either received verbal praises, letters of appreciation or some form of recognition from their managers for achieving organisational objectives (Table 4.6).

**Table 4.6: Level of Appreciation Employees Received from Managers for Meeting Targets**

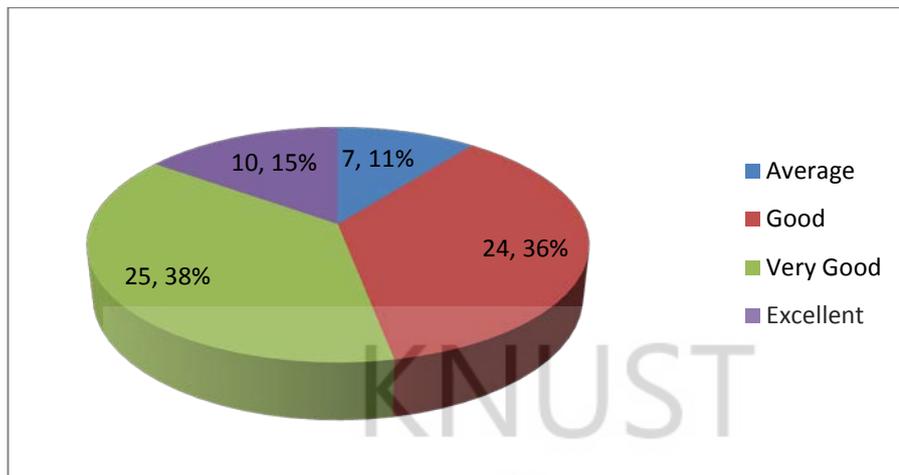
Level of Appreciation	Frequency	Per cent
No Appreciation	1	1.5
Average	8	12.1
Good	26	39.4
Very Good	26	39.4
Excellent	5	7.6
Total	66	100

*Source: Field Survey June, 2010*

#### **4.6 Effects of Manager/Subordinate Relationship on Employee Motivation**

Figure 4.5 showed that all respondents (100 percent) motivated by the level of quality of interaction between them and their managers/supervisors. It was pertinent to note, however, that some respondents were more motivated than others by their interaction with managers/supervisors. This is because 15 percent of them said their interaction with managers was an excellent source of motivation in their job performance, 38 percent rated it as very good source of motivation, 36 percent of them rated it as good and 11 percent described it as average. These figures testified that the behaviour of managers/supervisors was a vital component of employee motivation in work organisations.

**Figure 4.5: Pie Chart Showing Effects of Manager/Subordinate Interpersonal Communication on Employee Motivation**

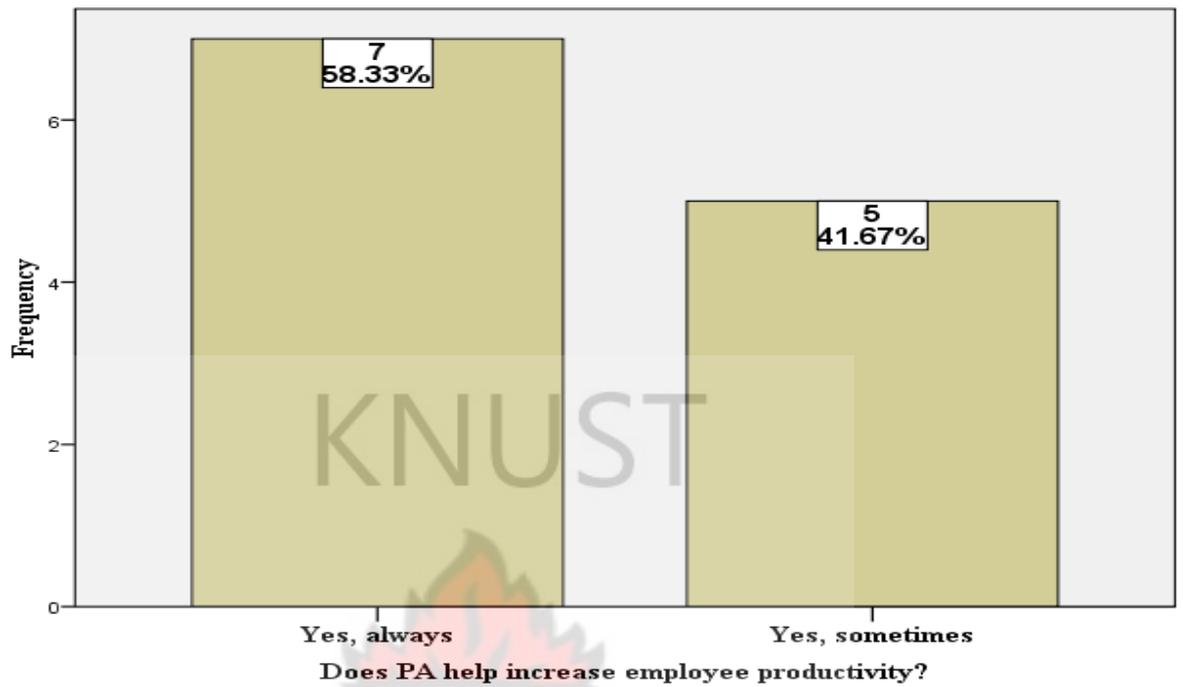


*Source: Field Survey June, 2010*

#### **4.7 Performance Appraisal and Employee Productivity**

According to supervisors the conduct of employee performance appraisal was necessary in increasing employee productivity. For 58.33 percent (7 respondents) of managers PA always helped to improve worker productivity while 41.67 percent (5 respondents) felt that PA helped to increase employee productivity only at sometimes (Figure 4.6).

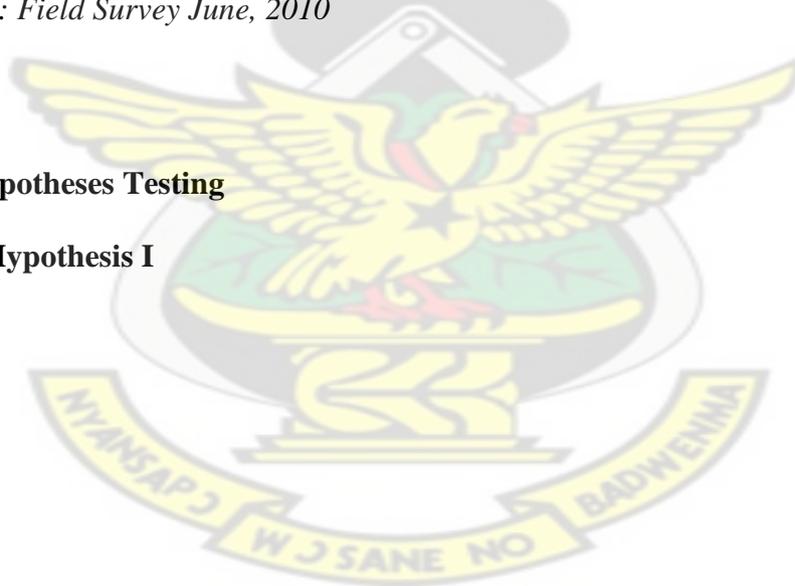
**Figure 4.6: A Bar Chart Showing the Effects of PA on Employee Productivity**



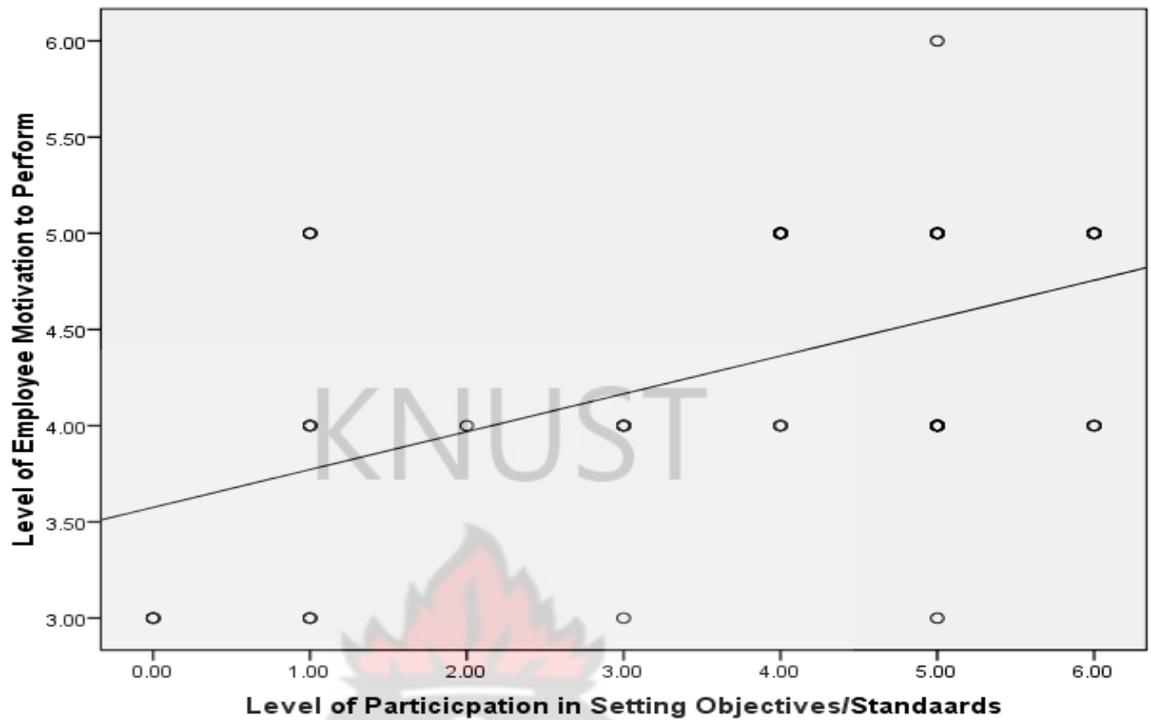
*Source: Field Survey June, 2010*

## **4.8 Hypotheses Testing**

### **4.8.1 Hypothesis I**



**Figure 4.7: A Scatter Plot Showing the Relationship between Employee Participation in Setting Objectives and Employee Motivation**



*Source: Field Survey June, 2010*

The scatter plot suggested that there was a relationship between employee participation in setting job objectives and employee motivation. The direction of the line of fit also suggested that the relationship was positive with high scores on 'X' associated with high scores on 'Y'. Therefore, there was the need to compute the strength of this relationship using Pearson's Correlation Coefficient (Pearson's  $r$ ).

**Table 4.7: Correlation between Employee Involvement in Setting Job Objectives and Employee Motivation to Perform**

Variable (X)	Statistics		Variable (Y)
Participation in Setting Job Objectives	Pearson Correlation	0.505	Motivation to Perform on the Job
	Sig. (2-tailed)	0.000	
	N	66	

Correlation is significant at .01 (2-tailed)

*Source: Field Survey June, 2010*

Pearson's  $r$  has values between -1 and +1 with -1 = perfect negative relationship, 1 = perfect positive relationship and 0 = no relationship. An  $r$  can either be strong, moderate or weak:

$r = 0$  to 0.30 suggests a weak relationship

$r = 0.31$  to 0.60 suggests a moderate relationship

$r = 0.61$  to 0.99 suggests a strong relationship

It is pertinent to note that these values can either be positive or negative. A negative  $r$  suggests a negative relationship in which one variable increases while the other decreases and a positive  $r$  suggests a positive relationship in which one variable increases as the other increases.

From the table, Pearson's  $r = 0.505$  is significant at 0.01 level. This indicated that there was a moderate correlation between employee participation in setting objectives and employee motivation to perform on the job in the study sample. To find out whether or not this relationship existed in the larger population of employees in financial institutions in Ghana, a test of hypothesis was necessary.

Hypothesis Testing

Let  $r$  = sample correlation and

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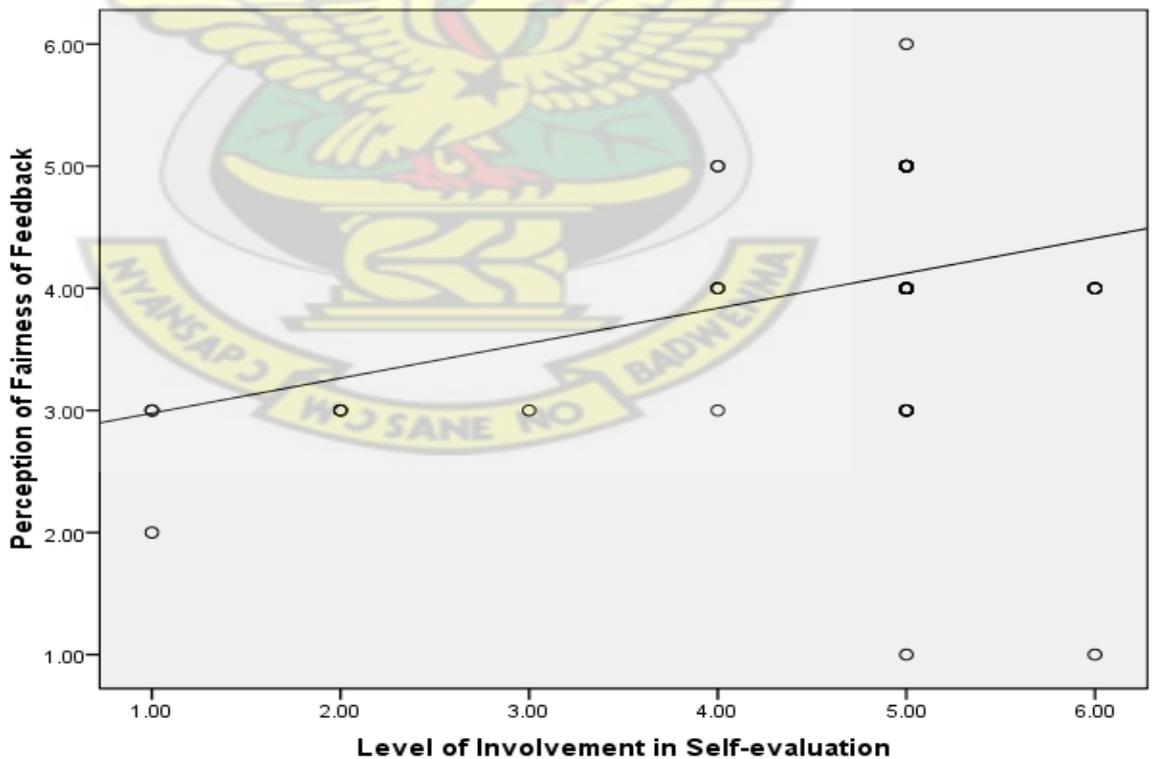


motivation resulted from their participation in setting job objectives, it meant that 74.5% of employee motivation was due to other factors otherwise known as Coefficient of Alienation designated as  $1 - r^2$  where 1 is equivalent to 100% and  $r^2$  represents the coefficient of determination (which was 25.5%). Thus,  $100 - 25.5 = 74.5$

#### 4.8.2 Hypothesis II

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Figure 4.8: A Scatter Plot Showing the Relationship between Self-evaluation and Perception of Fairness



The scatter plot suggested that there was a relationship between self-evaluation and employee perception of fairness. The direction of the line of fit also suggested that the relationship was positive. Therefore, there was the need to compute the strength of this relationship using Pearson's correlation.

**Table 4.8: Correlation between Self-evaluation and Perception of Fairness**

Variable (X)	Statistics		Variable (Y)
Self-evaluation of Employee Performance	Pearson Correlation	0.385	Perception of Fairness in Appraisal Feedback
	Sig. (2-tailed)	0.001	
	N	66	

Correlation is significant at .01 (2-tailed)

*Source: Field Survey June, 2010*

From table 4.8, Pearson's correlation = 0.385 is significant at 0.01 level. This indicated that there was a moderate correlation between self-evaluation and perception of fairness of appraisal feedback. Once again, we needed to test this correlation to see if it represented the population from which the sample was drawn, hence, hypothesis testing.

Hypothesis Testing

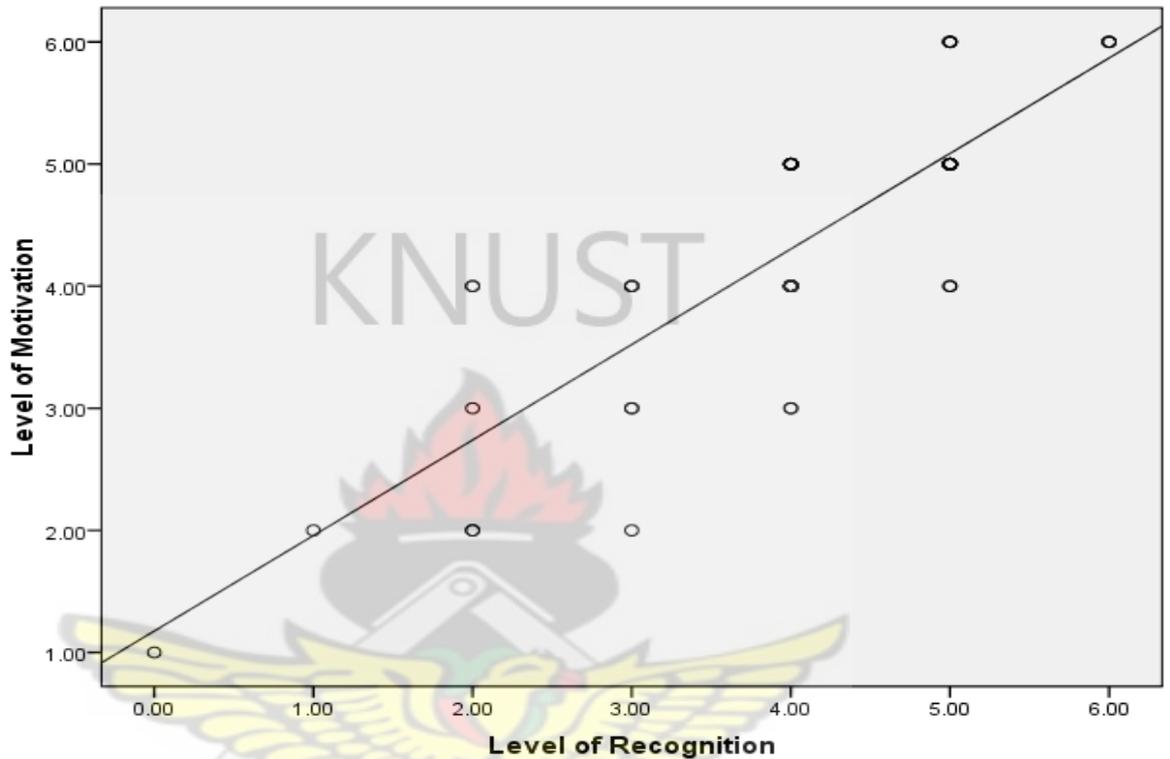
Therefore,  $t_{\text{obtained}} = 0.385 \times$

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In order to find out whether there is any relationship between the two variables in the hypothesis, a scatter plot was necessary.

**Figure 4.9: A Scatter Plot Showing between Recognition and Employee Motivation**



*Source: Field Survey June, 2010*

The scatter plot suggested that there was a relationship between recognition and employee motivation. The direction of the line of fit also suggested that the relationship was positive. Therefore, there was the need to compute the strength of this relationship using Pearson's correlation.

**Table 4.9: Correlation between Recognition and Employee Motivation to Perform**

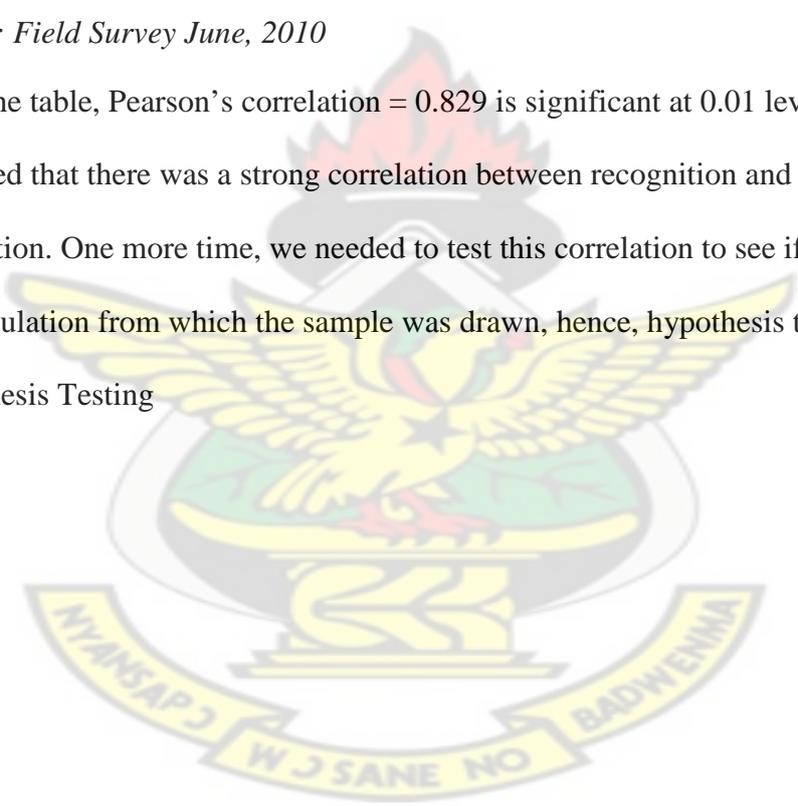
Variable (X)	Statistics		Variable (Y)
Level of Recognition	Pearson Correlation	0.829	Motivation to Perform on the Job
	Sig. (2-tailed)	0.000	
	N	66	

Correlation is significant at .01 (2-tailed)

*Source: Field Survey June, 2010*

From the table, Pearson's correlation = 0.829 is significant at 0.01 level. This indicated that there was a strong correlation between recognition and employee motivation. One more time, we needed to test this correlation to see if it represents the population from which the sample was drawn, hence, hypothesis testing.

Hypothesis Testing



Decision making: We reject

# KNUST



## CHAPTER FIVE

### DISCUSSION OF THE FINDINGS

#### 5.1 Introduction

This chapter examines the major findings of the study which are related to the research questions and hypotheses. The discussions will be linked to the literature reviewed and some comparisons drawn in terms of similarities and differences between the findings and earlier studies.

#### 5.2 Discussion of the Findings

The study revealed that majority (54.5%) of the respondents were females (Table 4.1a) showing that the work in financial institutions was not the preserve of men as it was in other occupations where physical strength was needed for job execution. One other socio-cultural reason could be that in Ghana women are generally regarded as better in handling money and customer services than men. Even though the female population among the rank and file employees was greater than that of their male counterparts, in terms of managerial positions, male numbers were much higher (83.3%) than females (Table 4.1a). This is a demonstration of the fact that women in Ghana find it much more difficult than their male counterparts to climb the promotion ladder to top managerial positions. This may be due to their triple role in society consisting of reproduction, productive (employment) and community management roles; which usually make it difficult for most women to acquire the necessary qualification and experience needed to attain management positions.

The findings also showed that the ages of the majority of respondents were below 30 years (62.1%) and 25.7% of them were aged between 30 and 40

years (Table 4.1b). The nature of the work in financial institutions demanded speed and accuracy and this could be a reason why young people were engaged to meet these requirements in order to keep customers from moving to competitors. Most managers (66.7%) were, however, found to be in their middle and latter ages, between 40 and 59 years (Table 4.1b). Age sometimes corresponds with experience and dexterity especially in situations where people started working at an early age. By 40 to 50 years they would have acquired enough experience for promotion to managerial positions and as such it was not surprising to find out that managerial staff was generally older than their subordinates.

Unmarried people among the respondents were 54.5% (Table 4.1c) seemingly confirming the youthfulness displayed in their ages where majority were aged below 30 years (54.5%). In Ghana, most young people who are single are very desirous of making money in order to settle down (that is, marry, buy cars and built houses). This might, therefore, be a reason why single and relatively young people were the majority among the workers in financial institutions since these institutions paid better than most other organisations in the country. One other reason could also be that unmarried people generally had relatively less family responsibility at home compared to married people and since working in most financial institutions demand leaving home early and coming back late, it could be a reason why most of the respondents were not married. Most managers were, however, married (75%) also confirming their maturity in age (40 to 59 years) at which most people would have been married in Ghana.

Educational attainment is a major factor in most job descriptions all over the world. In Ghana, the nature of the work of staff of financial institutions requires a

sense of professionalism and to enroll in the profession demands certain level of academic qualification. Consequently, 66.7% and 30.3% of respondents have had tertiary and post-tertiary education respectively (Table 4.1d). This was probably to meet the high level of educational requirements most jobs in financial institutions demanded in order to remain productive and competitive in the industry. Majority (58.3%) of managerial staff also had post-tertiary education (Table 4.1d) which seemingly justified their positions as specialists who must have higher level of both theoretical and technical knowledge in their areas of operation which enabled them to provide appropriate advice and guidance to subordinates.

A major finding of the study was that, in terms of procedure, most financial institutions in Ghana used absolute standards as opposed to relative standards to measure the performance of employees (Table 4.2a). If managers were seen to be in favour of absolute standards as the findings showed; probably it was because they wanted to curtail unhealthy competition among workers at the workplace. Employees may not cordially cooperate with colleagues whose performance was previously rated better in comparison to theirs and as such the philosophy of 'pull him down' may prevail at the workplace if relative standards were used. About 77.2 percent (Table 4.3a) of employees confirmed that they took part in setting job objectives and another 92.4 percent (Table 4.3b) said that they evaluated their own performance. These figures provided enough evidence to support the concept of management by objectives which was practised by financial institutions in Ghana and that could serve as source of intrinsic motivation to employees (Armstrong, 2006).

Only three percent (3%) of respondents indicated that their performance was evaluated by their colleagues (peer evaluation) and a few others (15.2%) had their performance appraised from multiple sources (Table 4.2b). The 92.4 percent of respondents who indicated that they took part in evaluating their performance (Table 4.3b) suggested that there was some amount of objectivity in the evaluation of the performance of some workers since more than one person participated in the performance evaluation process. In other words, any bias considerations by one might be offset or balanced by others and as such it was not surprising to have majority of respondents rating the appraisal process as fair. And as Nathan, Mohrman and Milliman (1991), Lind and Tyler (1988), Dipboye and de Pondbriand (1981), Burke and Wilcox(1969) said, procedural justice leads to distributive justice. What this means is that a fair process would lead to fair rewards, all things being equal.

There seemed to be a diversity of interest between employees and management on the purpose of performance appraisal. This was because whereas majority (66.7 percent, Appendix C) of respondents preferred that their appraisal should be used for training and development purposes, majority (66.7 percent) of the managers used appraisal results for rewards administration (Figure 4.1). The preference for training and development to rewards administration by most employees may, however, be explained by the fact that 51.6 percent of respondents had no working experience prior to their engagement by their organisations. Therefore, respondents probably needed more training and development to improve their knowledge and performance since that was the main road to earning rewards such as promotion, salary adjustment and bonuses.

The use of performance appraisal for rewards administration by majority (66.2 percent) of managers in financial institutions in Ghana, however, validates Herzberg's (1987) argument that in order to motivate employees through performance appraisal, the system should be used for rewards and recognition. Boswell and Boudreau (2000) refer to this as an evaluative function of performance appraisal. The evaluative approach is often regarded as negative (Blau, 1964; Meyer, Kay, and French, 1965) especially by low performing employees whereas developmental approach is more likely to be viewed positively because of its futuristic and helpful focus (Milkovich and Boudreau, 1997). Managers should, therefore, be cautious and tactful when using performance appraisal for rewards administration since this could lead to unhealthy competition among employees (who may use dubious means to obtain rewards) to the detriment of the organisation as a whole.

Developmental functions, on the other hand, according to Boswell and Boudreau (2000) include the identification of individual training needs, providing performance feedback, determining transfers and assignments, and the identification of individual strengths and weaknesses. Good as this may sound in fostering intrinsic motivation among employees, the findings showed that only 33.3 percent of managers (25 percent on training and development and 8.3 percent on providing feedback to employees) in financial institutions used appraisal for developmental purposes (Figure 4.1). Compared to the 66.2 percent of managers who used it for evaluative purposes, the developmental function of performance appraisal was low. However, it may be due to the fact that training and development programmes were usually costly and time consuming and as

such organizations had to approach it with tact and care in order not to negate profits and productivity.

A major research question that was posed in this study was whether employees were involved in the appraisal process at all considering the findings of Horsoo (2010) which reported that ‘employees in the Barclays Bank Limited viewed performance appraisal as discriminatory, punitive and judgemental, where cronyism and biased considerations dominate objectivity’. It was found that 77.2 percent (Table 4.3a) of respondents jointly set objectives with managers, 92.4 percent of them (Table 4.3b) reported that they evaluated their own performance and 93.9 percent (Figure 4.2) of respondents said that they had opportunity to performance review interview. These findings altogether demonstrated that there was high level of employee involvement in the appraisal process in financial institutions and thus, satisfying the conditions of a due-process appraisal system proposed by Folger et al (1992) and consistent with procedural justice (Susan et al, 1995). The argument was that employees feel fairly treated and motivated if their appraisal results were based on adequate notice (jointly set performance standards), fair hearing (review interview to contest/discuss results) and judgement based on evidence (rewards based on performance).

A test of hypothesis was conducted to find out the relationship between employee participation in setting job objectives/standards and employee motivation to perform on the job. The computed t of 4.68 was greater than the critical value of 2.000 at  $\alpha = 0.05$  and as such the null hypothesis which stated that there was no relationship between employee participation in setting job objectives/standards and employee motivation was rejected. This gave credibility to the research hypothesis and as such a conclusion was drawn at 95

percent confidence level that employee participation in the appraisal process yielded employee motivation. However, it was very important to mention that it was only 25.5 percent of employee motivation that was accounted for by their participation in setting job objectives/standards. If 25.5 percent of employee motivation was obtained from their participation in setting job objectives/standards, it meant that 74.5 percent of employee motivation was due to other variables most probably promotions, salaries, bonuses, recognition, training and development. Therefore, organisations should not see employee participation in appraisal process as a major tool in harvesting motivation since the margin of motivation from participatory appraisal was shown to be only moderate (25.5%).

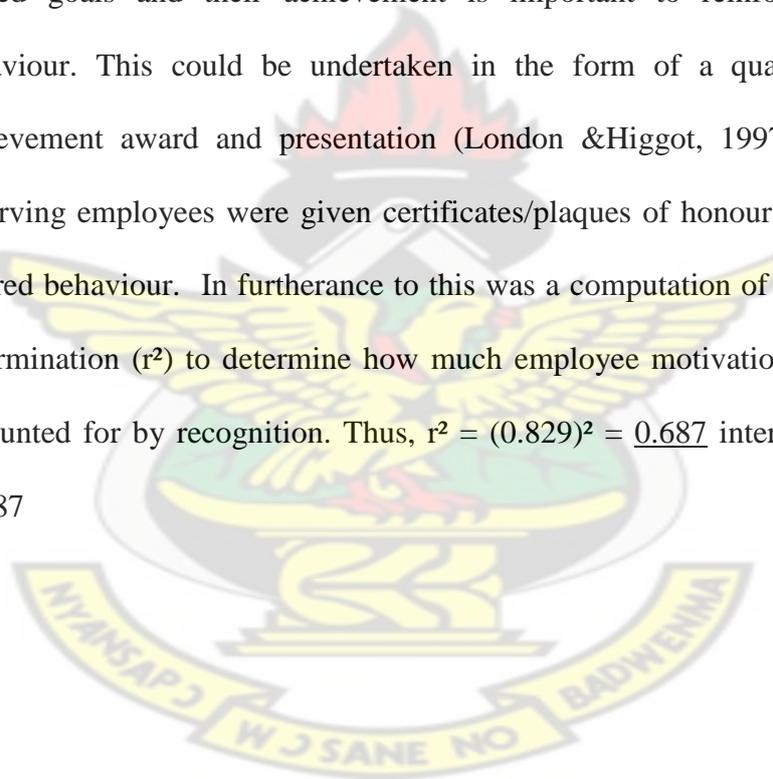
The results of the study also revealed that majority(97%) of respondents were satisfied with their performance feedback as against three percent (3%) who were not satisfied (Table 4.4). This corroborated earlier studies by Nathan, Mohrman and Milliman (1991), Lind and Tyler (1988), Dipboye and de Pondbriand (1981), Burke and Wilcox(1969);who concluded that in most situations, procedural justice judgements led to enhanced satisfaction with both the appraisal process and outcome. This showed that a participatory performance appraisal increased employee understanding of the process and thus, fostered employee ownership of both the process and outcome. This may also bring about a “bottom-up” approach as against the traditional “top-down” approach in appraisal which was abhorred by many subordinates because it gave managers undue chance to manipulate ratings in the interest of their favourites (Ayee (2001) and Nkrumah (1991) in Ohemeng, 2009).

The study found out that employee perception of a fair appraisal was dependent on self-evaluation of employee performance. The margin of perception of fairness accounted for by self-evaluation was, however, found to be moderate (Table 4.8). A computation of the coefficient of determination indicated that only 14.8 percent of employees' judgement of a fair appraisal was accounted for by their participation in performance evaluation. This was a bit surprising because the results of the study proved that there was high percentage of employee participation in setting objectives (77.2%) and self-evaluation (92.4%) of employee performance.

Statistics from the study further revealed that manager/subordinate relationship was generally cordial. All respondents (100%) (Figure 4.3) confirmed that they received assistance from managers towards achieving organizational goals and enjoyed varied levels of interpersonal communication with their managers. Furthermore, 98.6 percent of respondents (Table 4.6) reported that managers showed recognition/appreciation (through praise and letters/plaques/certificates of honour) for creditable performance. Finally, 78.8 percent of respondents (Table 4.5) testified that their managers were tolerant and accommodating even when they did not meet performance standards. This meant that a few respondents (21.2%) received nagging from managers when they did not meet standards. What is important in the above findings was that respondents were motivated to work due the cordiality of the relationship between them and their managers (Figure 4.5).

One key finding was that recognition and employee motivation were positively related. First of all, a correlation coefficient was computed using Pearson's  $r$ . The value of  $r = 0.829$  (Table 4.9) indicated that there was a strong positive

relationship between recognition and employee motivation. To find out how relevant this relationship was to the general population of employees in financial institutions across the country, the hypothesis was tested in which the computed  $t = 25.56$  was greater than the critical value of 2.000 leading to the rejection of the null hypothesis at 5 percent significance level. This meant that there was a strong positive relationship between recognition shown to employees for jobs well done and employee motivation. The above findings corroborated studies by Robins et al (1998) and London and Higgot (1997) that public acknowledgment of the agreed goals and their achievement is important to reinforce the desired behaviour. This could be undertaken in the form of a quarterly or yearly achievement award and presentation (London & Higgot, 1997) during which deserving employees were given certificates/plaques of honour to ensure future desired behaviour. In furtherance to this was a computation of the coefficient of determination ( $r^2$ ) to determine how much employee motivation (intrinsic) was accounted for by recognition. Thus,  $r^2 = (0.829)^2 = 0.687$  interpreted as 68.7% (0.687



## CHAPTER SIX

### SUMMARY, RECOMMENDATIONS AND CONCLUSION

#### 6.1 Introduction

The purpose of this chapter is to enable readers know, at a glance, what the general results of the study are and the method that was employed by the researcher to arrive at those results. It is also to enable readers to know what recommendations were made, first of all, for policy formulation and implementation and secondly for future research. Thus, the chapter will explain the summary of the study, the recommendations and the conclusion of the study.

#### 6.2 Summary of the Study

The study was an exploratory research set to investigate the extent to which performance appraisal affected employee motivation in financial institutions in Ghana. The target population comprised all current employees of registered financial institutions in the country where employee performance appraisal form part of human resource practices. Employees of six of these institutions were sampled to participate in the study. These institutions were located in the Kumasi metropolis.

A background study was conducted by the researcher on the historical development of performance appraisal systems and their changing roles in the world of work. The theoretical bases of performance appraisals were also reviewed. It was realised that the appraisal system could be motivating or de-motivating to employees depending on what approaches were adopted and how they were implemented. In Ghana for instance, available literature revealed that earlier appraisal systems did not yield appropriate results especially in public sectors because they were mostly operated 'top-down' that biased considerations dominated objectivity. This raised a

number of questions on the level of employee involvement in appraisal planning and execution and whether appraisal systems contributed in any way to employee motivation.

A survey questionnaire was used as the principal tool for data collection. The questionnaire was pre-tested and post-tested to ascertain its validity and reliability before it was finally used for the data collection. The data was analysed quantitatively using both descriptive and inferential statistics. The descriptive statistics consisted mainly of frequency tables, bar graphs and pie charts which permitted comparison of responses. The inferential statistics used included scatter diagrams, correlation tables (Pearson correlation) which also permitted tests of hypotheses. In all, three hypotheses were tested; the first of which proved that employee participation in setting job objectives increased employee motivation by about 25.5%. The second test of hypothesis also proved that self-evaluation of employee performance positively affected employee perception of fairness in the appraisal process by about 14.8% which was rather surprising. Finally, the third hypothesis was tested which also showed that recognition of employee performance accounted for 68.7% of employee motivation to perform.

Various appraisal approaches were identified in the institutions and discussed in the study. The major ones were absolute standards, modern (developmental) approach, management by objectives and self-evaluation. Other approaches which were found to be used moderately included relative standards, traditional (evaluative) approaches, peer evaluation and multiple evaluations. Most employees showed preference for absolute standards as criteria for performance evaluation.

The study revealed that financial institutions in the country mostly used appraisal for rewards administration such as promotions and bonuses which in turn

affected salaries directly. Other uses of appraisal included training and development, recognition, documentation and provision of feedback to employees. Most employees, however, preferred training and development to other uses of performance appraisal.

It was also found out that an overwhelming majority of employees actively participated in the appraisal process. This consisted of setting job objectives, self-evaluation and opportunity to hold performance review interview. This led to a perception of the appraisal process as fair and motivating to employees.

The relationship between managers and their subordinates was found to be generally cordial especially in terms of interpersonal communication, assistance towards achieving goals and the culture of tolerance and acceptance. A few respondents, however, reported that their managers were intolerant to failure on the part of the latter to meet targets.

Professional qualifications among both managers/supervisors and employees were found to be very high, either tertiary or post-tertiary education. Majority of the rank and file of employees were relatively young (below 30 years) and unmarried while most managerial/supervisory staff were in their middle ages and married. Female employees outnumbered their male counterparts and majority of the respondents were recruited into these institutions without any prior working experience especially among the subordinate workers. Most managerial staff (75%), however, had worked for 5-10 years before joining their current organisations.

### **6.3 Recommendations**

A number of recommendations were deemed necessary in respect of the results of the study. Many appraisal approaches were identified and discussed but the

ones which were mostly used by managers were absolute standards combined with management by objectives. Most employees showed preference for absolute standards and as such it is recommended that this approach be used more in employee performance evaluation. Since this was the approach most employees preferred it would motivate them to perform better than other approaches such as relative standards and traditional (evaluative) approaches which were less preferred.

Results of the study further brought to the fore that most employees preferred appraisal ratings to be used for training and development purposes. Based on the above, it is recommended that managers should improve on the training and development needs analysis component of appraisal in order to meet the desires and aspirations of employees. A well trained and developed workforce is a prerequisite for increased productivity and organisational growth since it would lead to efficiency and effectiveness of organisational activities.

The findings of the study further revealed that employee participation in the appraisal process was very high and that this positively affected employee motivation and perception of fairness. Consequently, organisations are advised to adopt participatory performance appraisal systems in order to motivate employees and reduce biased considerations in both the process and outcome. This is because a participatory appraisal was found to engender fairness, satisfaction and ownership of the appraisal process thus, reducing or eliminating discrimination and suspicion of the process and rewards. In other words, a participatory performance appraisal would ensure both procedural and distributive justice thereby motivating employees both intrinsically and extrinsically.

The study found out that relational/interactional justice was necessary in maximising employee motivation. That is, the behaviour of supervisors towards their subordinates in the appraisal process could be a source of motivation or de-motivation to employees. Thus, the culture of belongingness, tolerance and acceptance on the part of supervisors was necessary in maximising the benefits of the appraisal process. Managers should, therefore, adopt a friendly approach in diagnosing the weaknesses of employees who fail to meet standards and then encourage them through training and coaching rather than blame and condemnation.

Recognition of employee achievement was also found to be very motivating to employees. Therefore, in addition to encouraging low performing employees, high performers should be appreciated for their efforts through verbal praise, letters of recognition, plaques of honour and certificates. In the light of the above, the annual awards ceremonies organised by some financial institutions in the country to honour hardworking employees is a step in the right direction.

#### **6.4 Recommendation for Future Research**

The approaches to appraisal used and the way they are used determine whether employees would be motivated or de-motivated. The role of performance appraisal in employee motivation has been found to be significant in this study. However, time and resources were not enough to extend the study to other service organisations such as teaching, health, internal security, energy among others. Furthermore, product organisations in the country were not covered by the study. In view of the above, the researcher recommends that funds be made available for the study to be replicated in the other sectors of the economy since the findings of the current study

indicated that the appraisal process helped increase productivity. Recommendations from such a study would lead to increased employee motivation and a sustained increase in productivity for economic growth and development.

## **6.5 Conclusion**

The study demonstrated that the performance appraisal system can be an effective tool in employee motivation if both the process and outcome are fair. This corroborated several earlier studies (Hyde, 2005; Fulk, Klingner and Nabaldine, 1998; Roberts and Pavlak, 1996; Murphy and Cleveland, 1995; Thayer, 1987; Brief and Barr, 1985) that the appraisal system could be used to motivate employees.

The study also revealed that employee participation in the appraisal process was high and this led to employee motivation and perception of the process and outcome as fair. This finding also confirmed the assumptions of equity theory which states that workers are motivated when they discover that there is transparency in their evaluations and that they are treated fairly in compensation and promotion (Adams, 1965).

From the findings of the study, one may also conclude that motivation and performance were enhanced when individuals participated in goal setting. This corroborated Armstrong's (2006) assertion that motivation and performance will improve if people have challenging but agreed upon goals and receive feedback. Managers indicated that one of the functions of performance appraisal was the provision of feedback to employees. This showed that employees feel motivated when they know how well they are doing on their jobs. This also informs employees of their value and future to the organisation.

Furthermore, one can conclude that employees generally preferred developmental performance appraisal to evaluative performance appraisal. In other words, most employees wanted appraisal ratings to be used for training and career development. This was probably because of the high potential of training and development in developing competence and expertise leading to rewards such as promotions, salary adjustment and bonuses.

The findings of the study indicated that employee participation in the appraisal was very high and consequently, the process was perceived by most employees to be fair. Subjectivity in appraisal can, therefore, be minimized through the implementation of due-process metaphor. The test of hypothesis, however, revealed that some other hidden factors other than participation also accounted for fairness/equity in organisations. It is presumed that this had to do with how high managers fixed performance standards.

The process of performance appraisal was not the only factor responsible for employee motivation in organisations. The outcome of the appraisal process as well as manager/subordinate interaction was also important in sustaining employee motivation and performance. In other words, salaries and other rewards and congenial organisational culture were also significant factors in employee motivation.

Finally, the study concluded that a participatory performance appraisal increased employee motivation and that employee motivation increased employee (performance) productivity, all things being equal.

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KNUST



**APPENDIX A**

**QUESTIONNAIRE FOR EMPLOYEES**

**MASTERS THESIS**

**Performance Appraisal as Employee Motivation Mechanism in  
Financial Institutions in Ghana. A Study of Employees in Financial  
Institutions in Kumasi**

**By**

**VINCENT DE PAUL KANWETUU**

**DEPARTMENT OF SOCIOLOGY AND SOCIAL WORK**

**FACULTY OF SOCIAL SCIENCES, KNUST**

**SUPERVISORS:**

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**QUESTIONNAIRE FOR EMPLOYEES**

I am Vincent de Paul Kanwetuu, a postgraduate student of the Department of Sociology and Social Work, KNUST. I am conducting this research as part of preparation for a Masters Degree Programme. Your organisation has been chosen as one of several others to be studied. The study is for learning purposes and as such I would appreciate your voluntary cooperation to complete the questionnaire or allow me to interview you. Your responses will not be disclosed to any person. I do appreciate the least effort you make at enabling me complete my programme successfully.

***Thank you.***

**Table 1: Background information of respondent**

Please, tick the number which corresponds to your choice. ATR = African Traditional Religion

Sex	Tick ✓	Age group	Tick ✓	Religion	Tick ✓	Education	Tick ✓	Marital Status	Tick ✓	Rank	Tick ✓
Male	1	Below 30	1	ATR	1	Basic (JSS)	1	Never married	1	Junior staff	1
Female	2	30-39	2	Moslem	2	Secondary	2	Widowed	2	Group supervisor	2
--	--	40-49	3	Christian	3	Post-Sec. (Voc./Tec.)	3	Divorced	3	Senior staff	3
--	--	50-59	4	Free Thinker	4	Tertiary	4	Separated	4	Manager (Head)	4
--	--	60 +	5	Other: .....	5	Post- Tertiary	5	Married	5	Top management	5

7. Number of years worked before joining present organisation:

1) None 2) 1 – 5 years 3) 6 – 10 years 4) 11 – 15 years 5) 16 years +

8. Number of years worked in your present organisation:

1) Less than 1 year 2) 1 – 5 years 3) 6 – 10 years 4) 11 – 15 years 5) 16 years +

**Table 2: Level of involvement in the appraisal process and motivation to perform**

Rate your participation/involvement in the following stages of the appraisal process.  
Tick the number which corresponds to your choice.

Setting objectives/ standards/targets	Tick ✓	Self- evaluation	Tick ✓	Review interview	Tick ✓	Motivation to perform on the job	Tick ✓
Excellent	6	Excellent	6	Excellent	6	Excellent	6
Very good	5	Very good	5	Very good	5	Very motivated	5
Good	4	Good	4	Good	4	Motivated	4
Average	3	Average	3	Average	3	Average	3
Below average	2	Below average	2	Below average	2	Below average	2
No participation	1	No participation	1	No participation	1	Not motivated	1
No participation at all	0	No participation at all	0	No participation at all	0	Not motivated at all	0



**Table 3: Perception of fairness and level of satisfaction with appraisal feedback**

Please, tick the number which corresponds to your choice.

Fairness of feedback	Tick ✓	Satisfaction with Feedback	Tick ✓	Any favouritism/discrimination noticed in the appraisal process?	Tick ✓
Excellent	6	Excellent	6	Yes, all times (every appraisal)	6
Very fair	5	Very satisfactory	5	Yes, sometimes	5
Fair	4	Satisfactory	4	A few times	4
Average	3	Average	3	Only once	3
Below average	2	Below average	2	I don't know	2
Not fair	1	Not satisfactory	1	No discrimination	1
Not fair at all	0	Not satisfactory at all	0	No discrimination at all	0

**Table 4: Appraisal approaches**

How is your performance evaluated/measured? Please, tick the number which corresponds to your answer.

By a comparison with objectives/targets set to achieve (Absolute standards)	Tick ✓	By a comparison with the performance of my colleague workers (Relative standards)	Tick ✓	Which one of the two comparisons would you prefer?	Tick ✓
Yes	1	Yes	1	Absolute standards	1
No	2	No	2	Relative standards	2

19. My performance is usually evaluated by:

- 1) Myself 2) My colleagues 3) My manager 4) Customers 5) Multiple sources

20. Which one of the following would you prefer as evaluator of your performance?

- 1) Myself 2) My colleagues 3) My manager 4) Customers 5) Multiple sources

**Table 5: Uses of ratings (appraisal feedback)**

Indicate the level to which your performance feedback is used in each of the following areas and show how that motivates you to perform on the job

Uses of appraisal feedback	Level of usage	Tick	How does this usage motivate you to perform?	Tick
		✓		✓
Rewards administration (for pay/salary adjustment, promotion decisions and giving bonuses)	Very high	6	Very high	6
	High	5	High	5
	Moderate	4	Moderate	4
	Low	3	Low	3
	Very low	2	Very low	2
	No	1	No	1
	Not at all	0	Not at all	0
Recognition (letters/certificates of acknowledgement, plaques of honour)	Very high	6	Very high	6
	High	5	High	5
	Moderate	4	Moderate	4
	Low	3	Low	3
	Very low	2	Very low	2
	No	1	No	1
	Not at all	0	Not at all	0

Documentation (providing periodic feedback to employees)	Very high	6	Very high	6
	High	5	High	5
	Moderate	4	Moderate	4
	Low	3	Low	3
	Very low	2	Very low	2
	No	1	No	1
	Not at all	0	Not at all	0
Training and career development (training and development needs analysis)	Very high	6	Very high	6
	High	5	High	5
	Moderate	4	Moderate	4
	Low	3	Low	3
	Very low	2	Very low	2
	No	1	No	1
	Not at all	0	Not at all	0

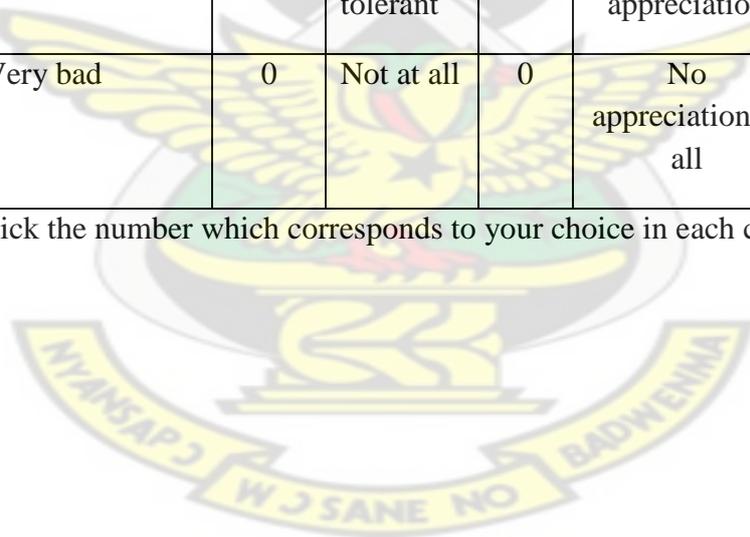
26. Which one of these would you prefer your ratings to be used for?

- 1) Reward administration 2) Recognition 3) Documentation 4) Training and development

**Table 6: Nature (the quality) of manager/subordinate interaction in the appraisal process**

Level of assistance towards achieving goals	Tick ✓	Interpersonal Relationship/ communication	Tick ✓	Level of tolerance to failure	Tick ✓	Level of recognition (appreciation) to success	Tick ✓	How does your manager's behaviour motivate you to perform?	Tick ✓
Excellent	5	Excellent	5	Excellent	5	Excellent	5	Excellent	5
Very good	4	Very good	4	Very good	4	Very good	4	Very good	4
Good	3	Good	3	Good	3	Good	3	Good	3
Average	2	Average	2	Average	2	Average	2	Average	2
Below average	1	Bad	1	Not tolerant	1	No appreciation	1	Below average	1
Not at all	0	Very bad	0	Not at all	0	No appreciation at all	0	Not at all	0

Please, tick the number which corresponds to your choice in each case



**Table 7: Appraisal /feedback frequency and satisfaction**

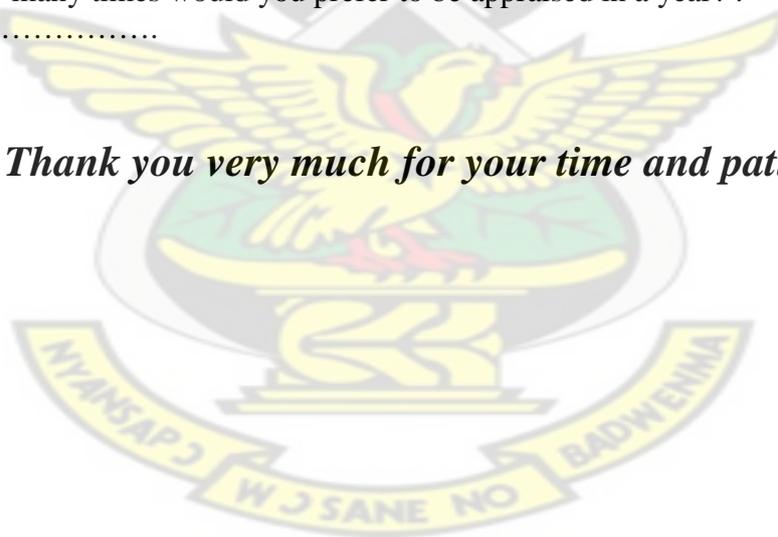
Are you satisfied with the number of times your performance is appraised in a year?  
Please, tick the number which corresponds to your choice.

Appraisal Frequency	Tick ✓	Feedback Frequency	Tick ✓	Satisfaction with Appraisal Frequency	Tick ✓	Satisfaction with Feedback Frequency	Tick ✓
Daily	5	Daily	5	Very satisfied	5	Very satisfied	5
Weekly	4	Weekly	4	Satisfied	4	Satisfied	4
Monthly	3	Monthly	3	Neither satisfied nor dissatisfied	3	Neither satisfied nor dissatisfied	3
Quarterly	2	Quarterly	2	Dissatisfied	2	Dissatisfied	2
Yearly	1	Yearly	1	Very dissatisfied	1	Very dissatisfied	1

36. How many times would you prefer to be appraised in a year? :

.....

***Thank you very much for your time and patience.***



**APPENDIX B**

**QUESTIONNAIRE FOR MANAGEMENT**

**MASTERS THESIS**

**Performance appraisal as employee motivation mechanism in  
financial institutions in Ghana. A study of employees in financial  
institutions in Kumasi**

**By**

**VINCENT DE PAUL KANWETUU**

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**QUESTIONNAIRE FOR MANAGEMENT**

I am Vincent de Paul Kanwetuu, a postgraduate student of the Department of Sociology and Social Work, KNUST. I am conducting this research as part of preparation for a Master's Degree Programme. Your organisation has been chosen as one of several others to be studied. The study is for learning purposes and as such I would appreciate your voluntary cooperation to complete the questionnaire or allow me to interview you. Your responses will not be disclosed to any person. I do appreciate the least effort you make at enabling me complete my programme successfully.

***Thank you.***

**Table 1: Background information of respondent**

Please, tick the number which corresponds to your choice. ATR = African Traditional Religion

Sex	Tick	Age	Tick	Religion	Tick	Education	Tick	Marital	Tick	Rank
		✓ group		✓		✓		✓ Status		✓
Male	1	Below 30	1	ATR	1	Basic (JSS)	1	Never married	1	Junior staff
Female	2	30-39	2	Moslem	2	Secondary	2	Widowed	2	Group supervisor
		40-49	3	Christian	3	Post-Sec. (Voc./Tec.)	3	Divorced	3	Senior staff
--	--									
		50-59	4	Free Thinker	4	Tertiary	4	Separated	4	Manager (Head)
--	--									
		60 +	5	Other: .....	5	Post-Tertiary	5	Married	5	Top management
--	--									

**Circle the number which corresponds to your choice**

7. Number of years worked before joining your present organisation:

- 2) None    2) 1 – 5 years    3) 6 – 10 years    4) 11 – 15 years    5) 16 years +

8. Number of years worked in your present organisation:

- 2) Less than 1 year    2) 1 – 5 years    3) 6– 10 years    4) 11 – 15 years    5) 16 years +

**Level of workers’ involvement in the appraisal process**

9. Who sets targets for your workers in your department?

- 1) Top management
- 2) Myself
- 3) Workers set targets for themselves
- 4) My workers and I jointly set targets

10. Who evaluates the performance of your workers?

- 1) Myself only
- 2) Self-appraisal by workers
- 3) Peer evaluation by workers
- 4) Multiple sources

11. Do your workers rebut/comment on their performance feedback?

- 1) Yes, always
- 2) Yes, sometimes
- 3) No
- 4) Not at all

12. If YES to question 11, indicate by what procedure workers rebut/comment on their feedback.

- 1) Face-to-face review interview
- 2) Comments portion on appraisal form
- 3) Group discussion with me (manager)
- 4) Through their (team) supervisors

13. If NO/NOT AT ALL to question 11, state reason(s) why workers do not have the opportunity to rebut/comment on their appraisal feedback:

.....

.....

.....

.....

**Appraisal approaches**

14. How do you evaluate/measure the performance of your workers?

- 1) By a comparison with targets set
- 2) By a comparison with the performance of their colleagues
- 3) Both of the above
- 4) None of the above

15. What specific method do you use to appraise your workers?

- 1) Essay method
- 2) Checklist
- 3) Individual ranking
- 4) Other: specify: .....

16. What factors informed your choice of method used in appraising employees?

- 1) Cost effectiveness
- 2) Error reduction (reasons of accuracy/objectivity)
- 3) Ability to compare (results)
- 4) Speed of the evaluation process

## Uses of performance feedback

17. What do you mostly use appraisal ratings of your workers for?
- 1) Rewards administration (pay, promotion, bonuses)
  - 2) Development needs analysis
  - 3) Providing feedback and documentation
  - 4) Recognition through certificates of honour
18. Do you think such uses are effective source of motivation to employees?
- 1) Very effective
  - 2) Effective
  - 3) Not effective
  - 4) Not effective at all

19. Provide reason(s) for your answer to question 18.

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

20. Do you normally achieve your targets as a department?

- 1) Yes, all the time
- 2) Yes, sometimes
- 3) A few times
- 4) Never

21. As a manager, do you find it easy conducting appraisal of your workers?

- 1) Very easy
- 2) Easy
- 3) Uneasy
- 4) Very uneasy

22. State reasons for your answer to question 21:

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

23. How regularly do you evaluate the performance of your workers?

- 1) Daily
- 2) Weekly
- 3) Monthly
- 4) Quarterly
- 5) Yearly

24. How regularly do you provide them with feedback on their performance?

- 1) Daily
- 2) Weekly

- 3) Monthly
- 4) Quarterly
- 5) Yearly

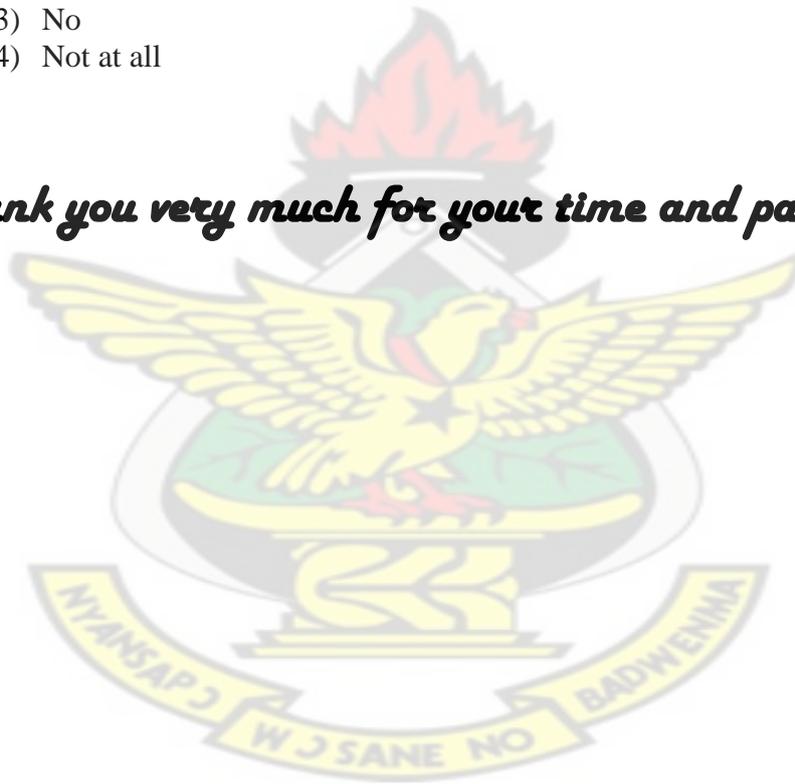
25. Do you find the frequency of evaluations burdensome?

- 1) Very burdensome
- 2) Burdensome
- 3) No
- 4) Not at all

26. Would you say the appraisal process is helpful in increasing productivity?

- 1) Yes, always
- 2) Yes, sometimes
- 3) No
- 4) Not at all

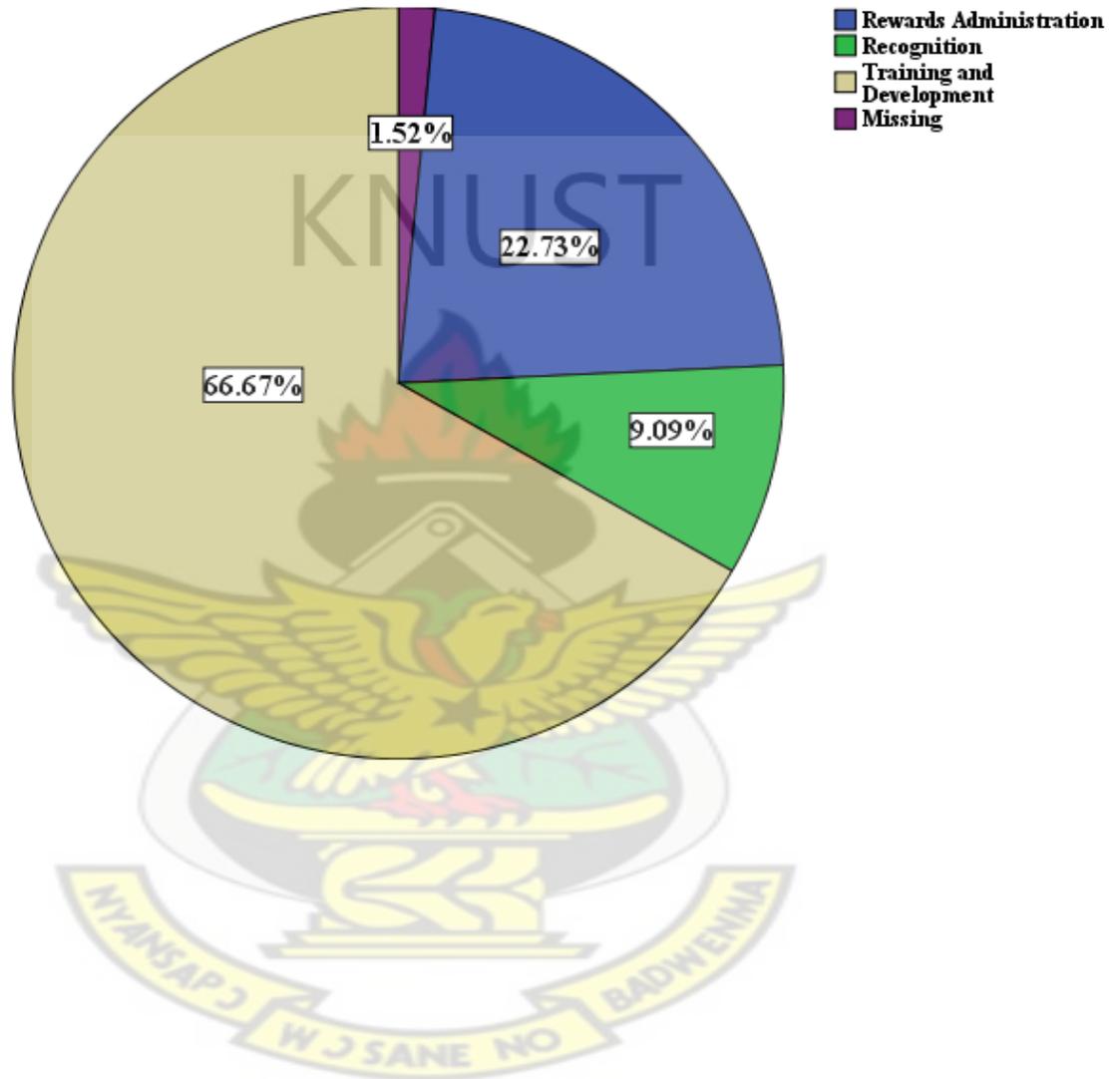
***Thank you very much for your time and patience***



## APPENDIX C

### Preferred Use of Appraisal Ratings by Employees

Preferred Use of Appraisal Ratings by Employees



**APPENDIX D**  
**Employees Preferred Appraisal Approach**

**Employees' Preferred Appraisal Approach**

**Absolute Standards**  
**Relative Standards**

