

**EXTENT OF ADOPTION OF 360-DEGREE PERFORMANCE
APPRAISAL BY COMMERCIAL BANKS IN KENYA**

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DECLARATION

This research proposal is my original work and has not been submitted for any award in any other university.

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This project has been submitted with my approval as the University Supervisor.

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It has been an exciting and instructive study period at the University of Nairobi and I feel privileged to have the opportunity to carry out this study as a demonstration of knowledge gained during the period studying for my masters degree. With these acknowledgments, it would be impossible not to remember those who in one way or another, directly or indirectly, played a role in the realization of this research project.

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DEDICATION

I dedicate this study to my parent(s) Mr. John Sigei and Mrs. Priscillah Sigei for their selfless sacrifice of their precious family time throughout my study period.

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ABSTRACT

Performance appraisals have become a common and important practice in various organizations carried out to improve employee and organizational performance. For firms to survive in a global economy, they need to exploit all the available resources as a means of achieving competitive advantage. One resource recognized as providing a source of competitive advantage is the human resources of the firm whose performance needs to be monitored for optimum results. The method adopted by an organization to conduct performance appraisals may differ but there is an emerging trend of use of 360 degree feedback for performance appraisals. The main objective of this study was to establish the extent of adoption of 360 degree performance appraisal by commercial banks in Kenya. The research used a cross-sectional design. The target population of this study was all the 43 commercial banks in Kenya. Quantitative data collected from 31 banks using questionnaires was analyzed by the use of descriptive statistics using Statistical Package for Social Sciences (SPSS, V.20) and was presented through percentages and frequencies. The findings show that majority of the banks' human resource policies recommend the use of 360 degree performance appraisal hence it is used to a great extent. The study also found that the common sources of evaluation used by most banks are self evaluation, immediate supervisors, peers/ heads of other departments and clients/customers. The use of subordinates and consultants as a source of evaluation in 360 degree feedback appraisal is not common. The study recommends that the banks should assess and seek to understand the effectiveness of the 360 degree feedback as part of a performance management system to enhance productivity and organizational performance. It further recommends on the need to embrace subordinate assessments of supervisors' performance so as to provide valuable developmental guidance in the various institutions. The study concludes that majority of the commercial banks in Kenya have adopted the 360 degree performance appraisal system and that it has positively impacted on employee job satisfaction as it allows for an all round gauge of an employee's performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Performance appraisal is an important human resource practice. A performance appraisal system helps organizations to identify three major things: performance standards, core competences, and communicating the standards and competencies to employees (Longenecker, 1997). A performance appraisal is a tool that informs most of the critical human resource decisions including; compensations and benefits, training and development needs, layoffs, staffing, pay raises, drug testing, and discipline (Holland et al., 2005; Boxall and Purcell, 2003; Allen and Meyer, 1990; Taylor et. al. 1995). Performance appraisal, as an important area of behavioral science research, constitutes the basis for human resource practices and lays the very foundation for research-based innovations.

Performance feedback is an important part of many organizational interventions since managers assume that providing employees with feedback about their performance makes it more likely that performance on the job will be improved (Obong'o, 2009). Despite the prevalence of feedback mechanisms in management interventions, feedback is not always effectively implemented as is typically assumed. Everyone is interested in performance feedback knowing how well they are performing some task. When employees do not receive feedback from their job, they will seek it on their own (Ashford and Cummings, 1983). Feedback is also seen as an important source of motivating potential on the job and its presence has been proposed to lead to increased satisfaction and motivation (Hackman and Oldham, 1980).

In addition to the above, most decision-making models, and many motivational models, include a feedback loop to indicate that individuals learn from the outcomes of their decisions or behavior (Fletcher, 1993). Therefore, it would be safe to say that, for many scholars and practitioners in the field of management, the effectiveness of feedback for improving performance is essentially a given. One would generally assume that outcomes

such as job performance will improve as a result of feedback, especially when compared with the performance of employees who receive no such feedback. 360 degree is one of the approaches to providing performance feedback to employees.

According to Ward (1995), 360-degree feedback is the systematic collection and feedback of performance data on an individual or group derived from a number of the stakeholders on their performance. The data is usually fed back in the form of ratings against various performance dimensions. In human resources management, 360-degree feedback, also known as 'multi-rater feedback', 'multi-source feedback', or 'multi-source assessment', is an employee development feedback that comes from all around the employee. "360" refers to the 360-degree circle. The feedback would come from subordinates, peers, and managers in the organizational hierarchy, as well as self assessment, in some cases external sources such as customers and suppliers or other interested stakeholders.

1.1.1 360-degree Performance Appraisal

The 360-degree feedback refers to the feedback that comes from members of an employee's immediate work circle. This feedback often includes direct feedback from the employee's subordinates, peers, and supervisor(s), and a self-evaluation. In some cases, it may also include feedback from external sources, such as customers, suppliers, or other interested stakeholders. The results from a 360-degree evaluation are often used by the person receiving the feedback to plan and map specific paths in their development (Bracken and Rose, 2011; Maylett 2009; Waldman et al., 1998). The 360 feedback was first used during the Second World War whereby the German military began gathering feedback from multiple sources in order to evaluate performance (Fleenor and Prince, 1997). The Esso Research and Engineering Company is one of the earliest recorded users of surveys in gathering information about employees which occurred in the 1950s (Bracken et al., 1997). It is from there that the idea of 360-degree feedback gained momentum, and by the 1990s most human resources and organizational development professionals understood the concept.

The Multi-rater feedback system of appraisal usage has steadily increased in popularity due to the rise of the Internet and the ability to conduct evaluations online with surveys. In recent years, Internet-based services have become standard in corporate development, with a growing menu of useful features like multi languages, comparative reporting, and aggregate reporting (Bracken et al., 1998). If properly implemented, managers and leaders within organizations can use 360 feedback surveys to get a better understanding of their strengths and weaknesses. When done well, multi-rater feedback systems can lead to enormous positive change and enhance effectiveness at the individual, team, and organizational levels (Wimer and Nowack, 1998). The 360 feedback system automatically tabulates and presents the results in a format that helps the feedback recipient create a development plan. Individual responses are always combined with responses from other people in the same rater category in order to preserve anonymity and to give the employee a clear picture of his/her greatest overall strengths and weaknesses.

1.1.2 Commercial Banks in Kenya

Commercial Banks are licensed and regulated pursuant to the provisions of the Banking Act and the Regulations and Prudential Guidelines (www.centralbank.go.ke). They are the dominant players in the Kenyan Banking system and closer attention is paid to them while conducting off-site and on-site surveillance to ensure that they are in compliance with the laws and regulations (Magutu et al., 2009). Commercial banks are profit making financial institutions which play an important role in the financial system. Kenya commercial banks provide a broad array of corporate financial services that address the specific needs of private enterprise including deposit, loan, and trading facilities but will not service investment activities in financial markets. The term commercial bank is used to differentiate these banks from investment banks which are primarily engaged in the financial markets. In Kenya, commercial banks play a number of roles in the financial stability and cash flow of the country's private sector including: processing payments; issuing bank cheques and drafts; accepting money on term deposits; and acting as moneylenders, by way of installment loans and overdrafts.

The Companies Act, the Banking Act, the Central Bank of Kenya (CBK) Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK), governs the Banking industry in Kenya. The banking sector was liberalised in 1995 and exchange controls lifted. The Central Bank of Kenya, which falls under the Minister for Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The Central Bank of Kenya publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines. The banks have come together under the Kenya Bankers Association, which serves as a lobby for the banks' interests and addresses issues affecting its members (Kenya Bankers Association Annual Report, 2010). As at 30th November 2012, the banking sector in Kenya comprised of the Central Bank of Kenya, as the regulatory authority, 43 commercial banks and 1 mortgage finance company (www.centralbank.go.ke). Out of the 44 institutions, 31 are locally owned and 13 are foreign owned. The locally owned financial institutions comprise 3 banks with significant shareholding by the Government and State Corporations, 27 commercial banks and 1 mortgage finance institution.

1.2 Research Problem

As performance evaluation systems are among the most important and applied human resource components of an organization, it is essential to critically investigate their qualities and extent of their use. In working organizations, there is both legal and moral pressure to evaluate employees in an objective, consistent and fair way. Performance appraisals of employees are necessary to understand each employee's abilities, competencies and relative merit and worth for the organization (Armstrong and Baron, 2002). Performance appraisal rates the employees in terms of their performance. 360-degree feedback is a relatively new feature of performance management, although interest in it is growing (Armstrong and Baron, 2005). For many scholars and practitioners in the field of human resource management, the adoption of feedback for improving performance is essential. In fact, there is a general assumption that outcomes such as job performance will improve as a result of feedback, especially when compared with the performance of employees who receive no such feedback.

Commercial banks in Kenya are operating in a competitive environment in terms of human resources and demand for effective services. The banks therefore have to continually improve their systems and policies so as to strive to retain qualified staff who are able to perform and deliver quality customer services. The commercial banks in Kenya are no exception among institutions that are carrying out performance appraisals for their employees and the 360-degree performance appraisal system is one way of conducting performance appraisals. Most commercial banks using the best practices anticipate potential mistakes and plan actively how to avoid them (Wimer and Nowack, 1998). Thus, banks may want to make sure to address the challenges before adopting their own 360-degree process to ensure that the system is fully and successfully implemented. There are limited studies about the use of the 360 degree performance appraisal system in Kenya. The banking industry is dynamic hence they provide an interesting ground to highlight a shift in the adoption and use of 360-degree assessments in their annual performance review of employees.

Ouko (2008) assessed the extent of adoption of 360-degree employee performance appraisal process in private secondary schools in Nairobi. The research findings revealed that 360-degree employee performance appraisal has been widely adopted in private secondary schools in Nairobi. The study also showed that employee job satisfaction is influenced positively by this appraisal method that allows for an all round gauge of an employee's performance. 360-degree performance appraisal is used in the private schools to enhance individual teachers' work performance thus bringing about improvement in quality and accuracy of work, job knowledge, ability to work as team members and quantity in output. Ochoti et al. (2012) investigated the multifaceted factors influencing employee Performance Appraisal System in the Ministry of State for Provincial Administration, Nyamira District. They found that implementation process, interpersonal relationships, rater accuracy, informational factors, and employee attitudes have a significant positive relationship with the performance appraisal system.

Nzuve and Ng'ang'a (2010) assessed employee perception of performance appraisal in the Department of Immigration in the Nairobi Region and found that though performance appraisal was built on solid principles, its implementation was related to the scope of

application, highlights of the old performance appraisal system, implementation of the new system, training as a direct result of performance appraisal, advantages and shortcomings of appraisal in the department, appraisal interviews, feedback process and quality and the relationship between appraisal and performance, motivation, reward and sanction. Nzuve and Ng'ang'a (2010) concluded that management to a large extent fell short of full implementation of performance appraisal system. The successful adoption and implementation of 360-degree performance appraisal system depends on whether it truly addresses important performance issues in the organization. It is clear that much has been written on performance appraisal but the actual data concerning the adoption of 360 degree feed-back is fairly limited. Based on this background, this study aims to bridge the knowledge gap by establishing the extent of adoption of 360-degree performance appraisal system by commercial banks in Kenya. The study will address this question: what is the extent of adoption of 360-degree performance appraisal by commercial banks in Kenya?

1.3 Research Objective

The objective of the study is to establish the extent of adoption of 360-degree performance appraisal by commercial banks in Kenya.

1.4 Value of the Study

The study can be used by the management to strengthen its performance appraisal system and procedures and enhance acquisition of knowledge and better understanding of 360-degree performance appraisal system.

The findings of this study will be significant as it will be expected to inform on the existence, importance and usage of a systematic method of performance management that may be beneficial to organization's performance.

This study contributes to the existing knowledge, addresses and provides the background information to research organizations, individual researchers and scholars who will want to carry out further research in this area.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides theoretical and empirical information from publications on topics related to the research problem. It examines related theories of performance appraisal, what various scholars and authors have written about 360 degree feedback, and the extent of the adoption of the 360 degree feedback.

2.2 Theoretical Foundation of the Study

The theoretical bases of performance appraisal systems are the social learning, equity, and expectancy theories (Bandura, 1977; Kellough and Nigro, 2002; Perry, 2003; Risher, 2002; Vroom, 1964) and goal-setting theory (Armstrong, 2003). The social learning theory (Bandura, 1977) suggests that an individual's behavior is a result of an interaction among situations, persons, and consequence components of the environment. Social Learning theory suggests that an employee enters an organization with individual traits and characteristics that may change or adapt depending on the work environment. The employee's motivations, behaviors and the environment all have an impact on how the employee acts. Particular to performance appraisal, individual employees develop attitudes about the performance appraisal process based on their own motivations as well as their work environment.

Adams (1965) formulated the equity approach as an appropriate way to effective supervision. Equity simply means fairness. Workers are motivated when they discover that they are treated fairly in compensation, promotion and that there is transparency in their evaluations. Workers reduce their efforts if they feel that they are treated inequitably (Fulk et al. 1985; Hyde, 2005). According to equity theory, an employee's perception of the fairness of his work's input and outcome influences his motivation (Guerrero et al., 2007). Effective performance management systems enable a manager to clarify job responsibilities and expectations, develop an employee's capabilities, and align an employee's behavior to the company's strategic goals and values. An employee typically

feels satisfied with the outcome of his effort, including his pay, when the compensation matches what he feels he puts into the job. If an employee perceives that others get more for doing less, he typically becomes less motivated to work hard. Managers create a productive work environment by communicating job requirements clearly and establishing fair and consistent performance objectives for all employees.

Expectancy theory (Vroom, 1964) indicates that employees will be motivated to exert high level of effort when they believe that their efforts will lead to higher performance (expectancy), higher performance will lead to rewards (instrumentality) and rewards are valuable to them (valence). This effort will lead to good performance appraisal and followed by organization rewards such as bonus, salary increment or promotion which later satisfy personal goals (Vroom, 1964). The expectancy theory (Vroom, 1964) hypothesized that the direct results of an individual's actions are linked to other desired results toward that the individual has a degree of valence. Valence is the "affective orientations toward particular outcomes"; instrumentality is the link between an outcome of the action performed and the outcomes that stem from the outcome attained by performing the action. Expectancy is the "momentary belief concerning the likelihood that a particular act will be followed by a particular outcome". Expectancy theory suggests that the motivation behind a supervisor accurately and effectively completing the performance appraisal process with a given employee is dependent on the degree of the supervisor perceives that effort put into the performance appraisal process will result in an accurate performance appraisal rating (expectancy), the degree of the supervisor's perception that an accurate performance appraisal rating will produce performance appraisal effectiveness (Instrumentation), and the value that the supervisor places on an effective performance appraisal (valence). Expectancy theory assumes that individuals desire some outcomes over others and that individuals are able to choose their actions.

Goal-setting theory (Locke and Latham, 1979) states that motivation and performance are higher when individuals are giving specific goals, when goals are difficult but accepted and when there is feedback on performance. Motivation and performance will improve if people have challenging but agreed goals and receive feedback (Armstrong, 2003). The

theory of Emotional Intelligence deals with how individuals respond to felt emotions with behavioral responses like those emotions evoked by receiving corrective feedback, it describes how a trigger or situation can evoke an emotional response, which leads to a behavioral response. This theory explains the reaction a 360 degree review process provokes in learners. Individuals possess differing levels of Emotional Intelligence Skills which allow them to deal with their own emotions as well as with the emotions of others. Some individuals have the motivation or ability to control behavioral effects of negative emotions such as anger, fear and anxiety, and still perform in a positive way even when their emotional state is negative. Individuals high in this skill are likely to react to negative or disconfirming feedback by attempting to diagnose the causes of low performance and actually increase their effort directed at improving performance. These types of individuals react to 360 degree reviews as organizational leaders' hope, motivated to change behavior and improve performance. Others with low skill development in this area are likely to quit at the first sign of failure or invalidation, negatively impacting productivity and the organization (Scott, 2001).

The Theoretical Model of Behavioural Change, developed by Prochaska et al (1992), point out the criticality of understanding and identifying the stage an individual is in before successful change intervention can be designed and applied. One of the model's major contributions is the recognition that behavioral change unfolds in a series of stages (Prochaska et al., 1992). Prior to the 360 degree process, employees are usually in what Prochaska et al (1992) term the Pre-contemplation stage, at which there is no intention to change behavior in the foreseeable future. This is when employees are unaware of problems or that there is a need for change. Once the 360 degree process is adopted and implemented and the employee begins to receive feedback, they move into the Contemplation stage, in which individuals have identified a problem. It is during this stage that employees are deciding whether or not there is a need to take action to correct the problem. An employee enters the Preparation stage once that individual decides there is a need to take some action. In the 360 degree process, the employee discusses the trends of the feedback with their supervisors and identifies common themes. Specific plans of action are developed as the employee chooses among potential solutions. The

Action stage is where the employees actually put their plan to work and begins to change behavioral patterns. The months following the 360 review process compose the maintenance stage where the employee works to prevent relapse. They have become cognizant of the gains attained, and are motivated to sustain progress.

2.3 Extent of Adoption of 360-degree Performance Appraisal System

Banu (2009) states that in today's changing and volatile world, organizations are continually looking for ways to improve performance and satisfy the demands of all stakeholders. Achieving this position inevitably involves change, which then becomes the pivotal dynamic for success. An organization's success depends on the people it employs and whether they adopt innovative changes. They should know their level of current performance and improvements needed in it. This is the area where 360° feedback plays a vital role in organizations. It has the ability to provide structured and in depth information about current performance and the required performance of an individual in future. Dessler (2011) states that the extent of adoption of any appraisal system is influenced by the basic human resource philosophy and policy of the organization. Monga (1983) states that the performance appraisal system has to be based on clearly specified and measurable standards and indicators. It should be correlated with the organization's philosophies and mission.

Atkins et al (2002) state that although the use of 360-degree feedback is relatively new, public, private and non-profit sector organizations use 360-degree feedback. Studies suggest that over one-third of U.S. companies use some type of multi-source feedback. In fact, as of the mid-1990s, nearly all Fortune 500 and Fortune 1000 companies were using it. As well, many Global 2000 companies have incorporated this process as an essential complement to existing performance appraisal schemes (Edwards et al 1996). In a competitive and ever-changing business environment it is critical to keep employees working productively. For organizations to maintain or improve productivity, it is important to have an effective performance appraisal system that assesses employee performance and develops employee skill, knowledge, and experience (Torrington and Hall, 2005). The key to adopting an effective performance appraisal system is to identify

critical functions, establish standards, provide feedback and provide a plan for performance development. Due to the rise of the Internet and the ability to conduct evaluations online with surveys, multi-rater feedback use has steadily increased in popularity. In recent years, Internet-based services have become standard in corporate development, with a growing menu of useful features like multi languages, comparative reporting, and aggregate reporting (Bracken et al 1998).

3D group consulting company (2013) carried out a study on practices in 360 Degree feedback in North America, and found that nearly half of companies report using 360 in some portion of their performance management process. That 63 percent of organizations in the United States and Canada use 360 feedback results for some type of decision making, development and personnel. The types of talent management decisions include succession planning, high potential identification and training and curriculum planning. Furthermore, a startling 47 percent of companies report using their 360 degree feedback results for some part of performance management. ETS consulting Limited (2011) in a study carried out in the private sector in London, reported that 25% of companies used 360 for performance management. Research of senior human resource professionals representing 2.3 million private-sector employees showed that a quarter of medium and large companies were already using 360 for performance management and this figure continues to rise.

Edwards and Ewen (1996) thoroughly discuss the potential of 360-degree feedback and suggest that outcomes can include improved employee satisfaction, behavior changes that are aligned with organizational objectives, and better team performance. They caution about the significant challenge of converting the potential of 360-degree feedback into a sustainable system; however they conclude that the program does have a measurable impact on the fairness of the assessment process, and that it is a useful development tool for an organization.

2.3.1 Sources of evaluation used in 360 degree performance appraisal

According to Dessler (2003), most organizations have expanded the idea of upward feedback into 360 degree performance appraisal system that gathers the data from various sources and provides a wide perspective about the employees' performance. Multi-source assessment systems gather information from a number of individuals at different levels in an organization to obtain a more accurate and complete picture of individual or team performance. Performance data in a 360-degree feedback process can be generated for individuals from the person to whom they report, their direct reports, their peers (who could be team members and/or colleagues in other parts of the organisation) and their external and internal customers (Armstrong, 2009).

According to Brett and Atwater (2001), the 360 degree feedback appraisal mechanism is the process in which subordinates, peers, customers, and bosses provide feedback to managers on an employees' performance. The feedback on employees' activities would come from subordinates, peers, and managers in the organisational hierarchy, as well as self assessment, and in some cases external sources such as customers and suppliers or other interested stakeholders. Gallagher (2008) states that this multi-source feedback allows individuals to understand how others view their effectiveness and become more cognizant of how their effectiveness as an individual, co-worker, or employee is perceived by others. The 360 degree feedback is one of the most accurate performance appraisal systems due to the multiple sources of feedback about an employee. Sindhi (2013) states that data needs to be collected from at least three source groups.

Support for the effectiveness of the 360-degree programs can be readily found in management, human resource, and psychological journals as well as the published works of subject matter experts of organizations in the leadership development industry. Brutus et al. (1998) argue that the multiple-rating sources are a main strength of 360-degree programs and that the multiple viewpoints have interesting differences. Based on their working experiences and the reviews of other studies, they conclude that feedback from multiple sources contributes to personal development and improved performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research methodology of the study. It describes the research design, population of the study, data collection and data analysis that the study used.

3.2 Research Design

A cross-sectional design was used for this study. This is a design in which the main objective is to assess a sample at one point in time without trying to make inferences or causal statements (Babbie, 2008). This research design was deemed appropriate because it gave an in-depth investigation on the extent of adoption of 360-degree performance appraisal system by commercial banks in Kenya.

3.3 Population of the Study

According to Central Bank of Kenya (2012), there are 43 commercial banks operating in Kenya and all are headquartered within Nairobi (Appendix III). The study used a census of all the commercial banks in Kenya because the population was small. The targeted respondents in this study were human resource managers in the 43 commercial banks.

3.4 Data Collection

The study relied on primary data that was collected through a questionnaire which targeted the human resource managers of the banks under study. The questionnaire contained closed-ended and open – ended questions which were structured into 2 parts: Section I, respondent's background information; and Section II, extent of adoption of 360-degree performance appraisal system. The drop and pick method was used to administer the questionnaires which were completed by key decision makers involved in the human resource management. The researcher administered the research instruments to the staff upon authority.

3.5 Data Analysis

The researcher used descriptive statistics to analyze the data. The Statistical Package for Social Scientists (SPSS, V.20) was used for data analysis of quantitative data. Qualitative data from the open-ended questions was analysed through content analysis. The findings were presented using bar charts, pie charts and tables.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

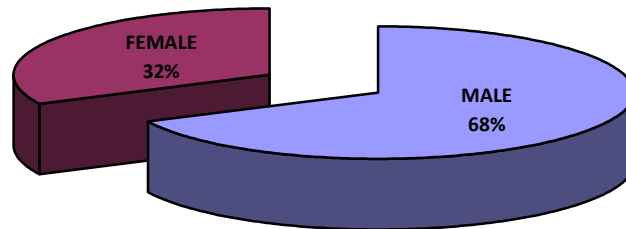
4.1 Introduction

This chapter presents the analysis of study findings on the extent of adoption of 360 degree performance appraisal by commercial banks in Kenya. The research targeted all the 43 banks in Kenya. The data collection instruments, which were questionnaires, were distributed to respondents through hand delivery in the banks. However, out of the 43 questionnaires sent, only 31 questionnaires were sent back fully completed making a response percent of 72.1%.

4.2 Respondents Background Information

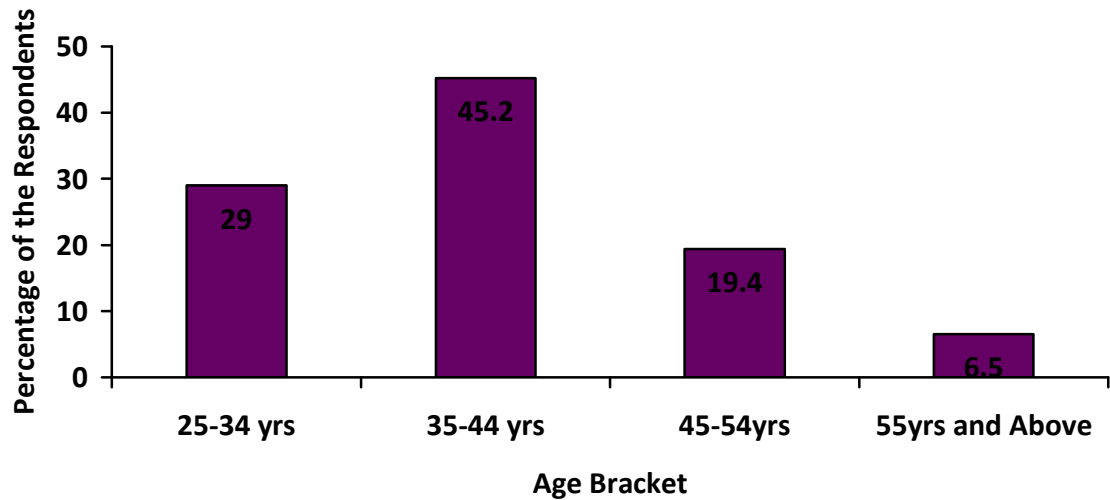
This section provides information related to the targeted respondents in the various banks. The study required the respondents to indicate their gender. According to the findings shown in the figure 4.1 below, majority of the respondents were male as shown by 67.7% while females were 32.3% of the respondents. This is an indication that most of the human resource managers in the banks were male.

Figure 4.1 Gender composition of the Respondents



The study required the respondents to indicate the bracket in to which their age fell. According to the findings shown by figure 4.2 below, the study found that most of the respondents were between 35-44 years (45.2%), 29.0% were aged between 25-34 years, 19.4% were aged between 45-54 years, 6.5% were aged between 55 and above years. This is shown below:

Figure 4.2 Age bracket of the Respondents



The study sought to establish the respondents' highest level of education. According to the findings presented in table 4.1, it was found that most of respondents had a degree as shown by 71 % of the respondents, 22.6% had masters, 3.2 % had either a diploma or a certificate while another 3.2 % had PHD/ Doctorate.

Table 4.1 Distribution of Respondents by highest level of education

Level of Education	Frequency (n=31)	Percentage (%)
Certificate/Diploma	1	3.2
Degree	22	71.0
Masters	7	22.6
PHD/ Doctorate	1	3.2
Total	31	100

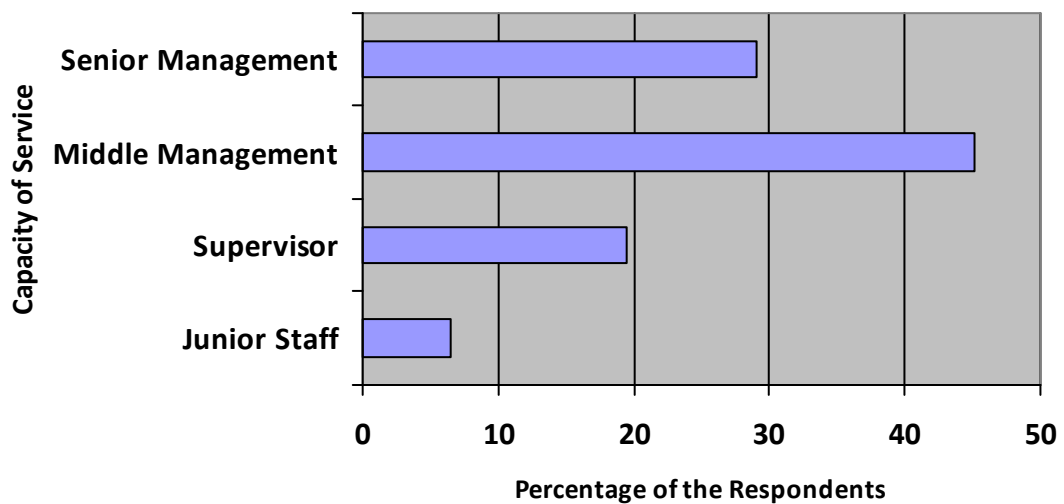
The respondents were to indicate their length of service in their respective banking institutions as shown in the table 4.2 below. According to these findings, majority of the respondents as indicated, 38.7% had worked for their institutions for 4 to 5 years, 25.8% for 6 to 7 years, 16.1% for more than 7 years, 9.7% for 2 to 3 years, 6.5% for 6 months to 1 year while 3.2 % had worked in their organizations for less than 6 months.

Table 4.2 Classification of respondents by length of service at the bank

Length of service at the bank	Frequency (n=31)	Percentage (%)
Less than 6 months	1	3.2
6 months to 1 year	2	6.5
2 to 3 years	3	9.7
4 to 5 years	12	38.7
6 to 7 years	8	25.8
More than 7 years	5	16.1
Total	31	100

The figure 4.3 below represents the capacity in which the respondents served in their respective banking institutions at the Human Resource Department. According to the findings, majority of the respondents as indicated (45.2%) served at the middle level management, 29.0 % served at the senior management level, 19.4% served as supervisors while 6.5 % served as junior staff.

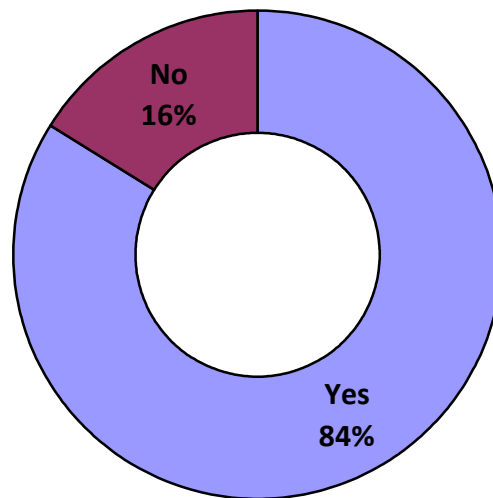
Figure 4.3 Distribution of the respondents by managerial level



4.3 Extent of Adoption of 360-degree Performance Appraisal System

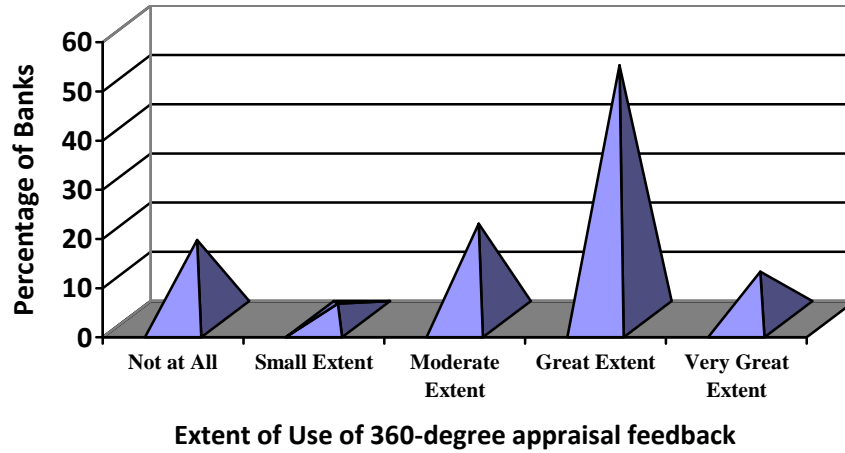
This section gives a summary of the extent of adoption of 360 – degree performance appraisal system by the various banking institutions. The study required the respondents to indicate whether their human resource policy recommended the use of 360 degree performance appraisal. From the findings shown in figure 4.4 below, majority of the banks (83.9%) had a human resource policy on the use of 360 degree feedback performance appraisal while 16.1% did not have a policy on the use of 360 degree performance appraisal.

Figure 4.4 Policy on the use of 360 degree performance appraisal



The respondents were also required to indicate the extent to which 360 degree performance appraisal system is used at their banks. From the findings shown in figure 4.5 below, most of the banks (51.6%) use 360 degree performance appraisal to a great extent , 19.4 % use it to a moderate extent, 16.1 % do not use 360 degree performance appraisal, 9.7% use it to a very great extent, while 3.2% use it to a small extent.

Figure 4.5 Extent of use of 360 degree performance appraisal



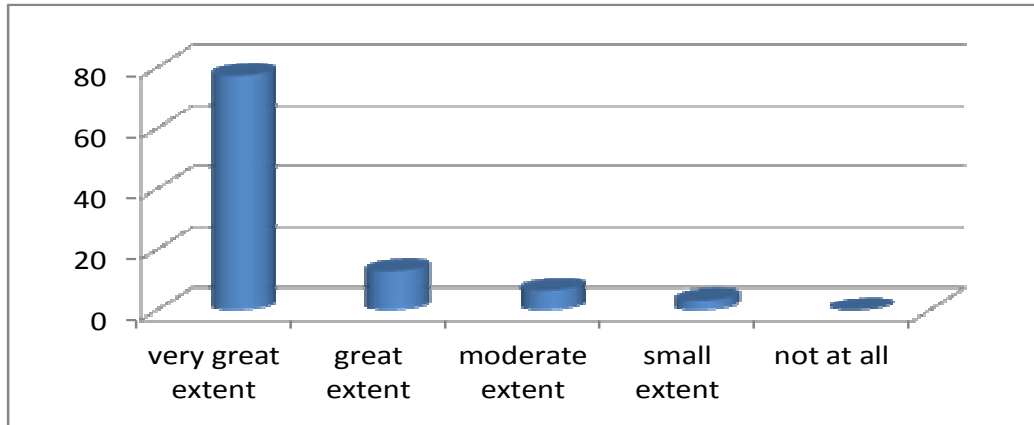
The study sought to establish the extent to which the banks use various sources of evaluation when carrying out 360 degree performance appraisal. Majority of the banks use self evaluation to a great extent 61.3%, 16.1% use it to a very great extent, 12.9% use it to a moderate extent, 6.5% use it to a small extent while 3.2% do not use it at all. The findings are shown on Table 4.3 below:

Table 4.3 Self Evaluation as a source of 360 degree performance appraisal

	Frequency (n=31)	Percentage (%)
Very Great Extent	5	16.1
Great Extent	19	61.3
Moderate Extent	4	12.9
Small Extent	2	6.5
Not at All	1	3.2
Total	31	100

Figure 4.6 below presents the use of immediate supervisors for evaluation. The findings indicated that majority stated that it was used to a very great extent(77.4%), 12.9% use it to a great extent, 6.5% use it to a moderate extent, 3.2% use it to a small extent. None of the respondents stated that they do not use it at all (0%).

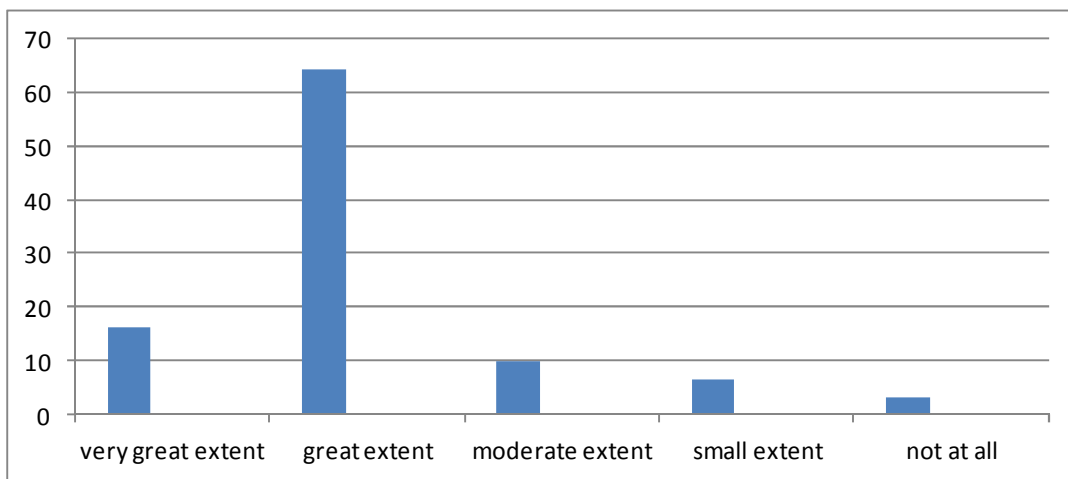
Figure 4.6 Immediate Supervisors as a source of 360 degree performance appraisal



Extent of use of Immediate Supervisors

The findings as shown in figure 4.7 below indicate that majority of the banks use peers to a great extent (64.5%), 16.1% use it to a very great extent, 9.7% use it to a moderate extent, 6.5% use it to a small extent while 3.2% do not use it at all.

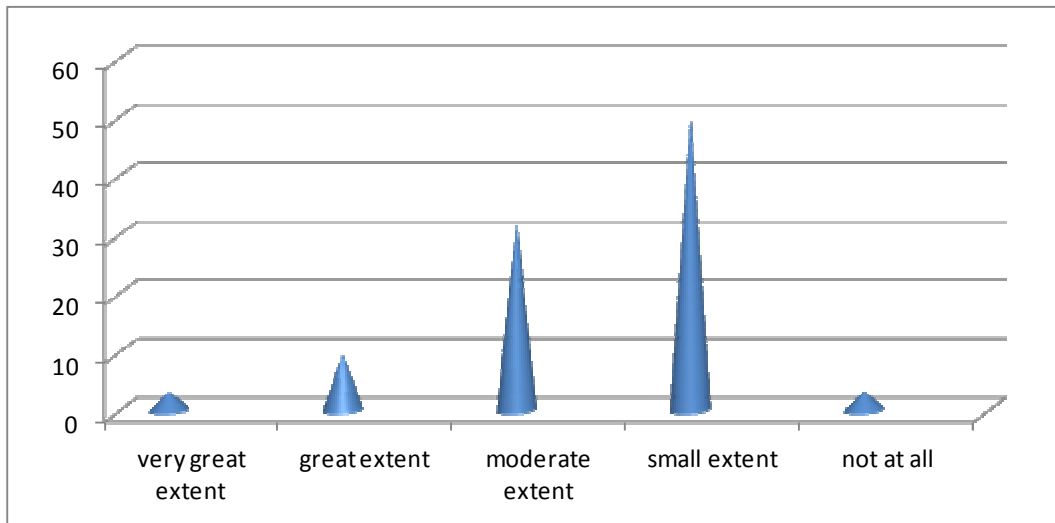
Figure 4.7 Peers as a source of 360 degree performance appraisal



Extent of Use of Peers

The findings as shown in figure 4.8 below indicate the use of subordinates for evaluation. Majority of the banks use it to a small extent (51.6%), 32.3% use it to a moderate extent, 9.7% use it to a great extent, while 3.2% use it to a very great extent and another 3.2% do not use it at all.

Figure 4.8 Subordinates as a source of 360 degree performance appraisal



Extent of use of Subordinates

Table 4.4 below presents the findings on the use of customers/ clients for evaluation. Majority of the banks use it to a moderate extent (45.2%), 25.8% use it to a great extent, 19.4% use it to a very great extent, while 6.5% use it to a small extent and another 3.2% do not use it at all.

Table 4.4 Customers/ Clients as a source of 360 degree performance appraisal

	Frequency (n=31)	Percentage (%)
Very Great Extent	6	19.4
Great Extent	8	25.8
Moderate Extent	14	45.2
Small Extent	2	6.5
Not at All	1	3.2
Total	31	100

Table 4.5 below presents the findings on the use of consultants for evaluation. Majority of the banks do not use it at all (51.6%), 32.3% use it to a small extent, 9.7% use it to a moderate extent, while 3.2% use it to a great extent and another 3.2% use it to a very great extent.

Table 4.5 Consultants as a source of 360 degree performance appraisal

	Frequency (n=31)	Percentage (%)
Very Great Extent	1	3.2
Great Extent	1	3.2
Moderate Extent	3	9.7
Small Extent	10	32.3
Not at All	16	51.6
Total	31	100

The respondents also gave a comment on the use of 360 degree feedback performance appraisal stating that 360 degree performance appraisal enables employees to get feedback from multiple sources hence improving employee job satisfaction and performance.

4.4 Discussion

This section discusses the results of the research carried out in line with the study objective and the various interpretations of the findings.

4.4.1 Extent of Adoption of 360 Degree Performance Appraisal

From the findings of the study, it is clear that the human resource policies for most of the banks recommend use of 360 degree feedback. This is an indication that the human resource policies of an organization are a determinant on the mode of appraisal to be used. The findings concur with what Dessler (2011) stated, that the extent of adoption of any appraisal system is influenced by the basic human resource philosophy and policy of the organization. The study found that majority of the banks, more than 50% have adopted the 360 degree performance appraisal. This is an indication that the 360 degree performance

appraisal method has gained popularity in the banking sector and is becoming increasingly widespread. Bracken et. al. (1998) stated that the Multi-rater feedback system of appraisal usage has steadily increased in popularity.

4.4.2 Sources of evaluation of 360 degree performance appraisal

It was also found that multiple sources are used for evaluation purposes with at least four sources being widely used namely; self evaluation, immediate supervisors, peers, and customers. This is in line with what Breter et al (2001) stated, that in 360 degree performance appraisal, the feedback on employees' activities would come from subordinates, peers, and managers in the organizational hierarchy, as well as self assessment, and in some cases external sources such as customers and suppliers or other interested stakeholders. Sindhi (2013) stated that data needs to be collected from at least three source groups. The findings show that the banks commonly use more than three sources for evaluation.

Incorporating the employee's own perspective on his or her performance seems to be a common practice. Self-assessment is an important first step because it appears to set the stage for greater acceptance of feedback from other raters. Self-ratings also give employees an opportunity to become more familiar with what is expected of them in the organization.(Smither et al 1995). Evaluations by superiors are the most traditional source of employee feedback. This is supported by the very extent of use by the banks in carrying out 360 degree performance appraisal. This form of evaluation includes both the ratings of individuals by supervisors on elements in an employee's performance plan and the evaluation of programs and teams by senior managers. Peers are people who work at the same organizational level. Peers often are able to provide high-quality feedback about an employee's work because they often can see the quality and consistency of that person's day-to-day performance in a way that supervisors cannot. Peer assessments also can be effective motivators. The extent of use of peers by the banks as a source of 360 degree performance appraisal as indicated in the study is to a great extent.

Customers' comments are much less often used in multirater assessments than self evaluation, ratings by immediate supervisors and ratings by peers as is shown in the study. Most banks use feedback obtained from clients/customers to a moderate extent. Where a subordinate assesses the performance of his or her superior, the purpose is to let a manager know how he or she is doing from the perspective of the people being managed. The logic behind upward review is that the people being supervised have a valuable perspective on their supervisor's skills, and their views should be incorporated into any assessment of the supervisor. However, from the findings of the study, the use of subordinates for evaluation in 360 degree feedback is used to a small extent by the banks. This is an indication that most banks have not been receptive to the idea of superiors being assessed by their juniors despite the benefits that could be associated with the same. The use of multiple rating sources or perspectives is clearly an important strength of 360-degree feedback, and contributions from different perspectives can be especially interesting and valuable in their own right (Carlson 1998).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary and discussion of the research findings on the extent of adoption of 360 degree feedback by commercial banks in Kenya, conclusion and recommendations are drawn there to. The chapter is hence structured into summary of findings, discussion, conclusion and recommendations.

5.2 Summary of Findings

According to the study, majority of the banks (83.9%) have a policy on the use of 360 degree performance appraisal. This is an indication that this form of appraisal is highly recommended for use in conducting performance reviews in the banking sector. This is therefore guided by the various human resource policies and philosophies in place which provide a good ground for the human resource managers to easily implement the use of 360 degree performance in their respective banks. The findings of the study indicated that 360 degree feedback is used to a great extent by majority (51.6%) of the commercial banks in Kenya. This shows that this mode of appraisal is commonly used in the banking sector and has been readily accepted because of the use of multiple sources that helps improve employee performance.

The study further indicated that the banks use various sources of evaluation to carry out the 360 degree performance appraisal. Self evaluation is used to a great extent which shows that employees get an opportunity to assess their own performance. The use of immediate supervisors and peers as sources of evaluation for 360 degree performance appraisal are the most common among the banks. This means that they play a key role in providing the feedback required for assessment. The findings indicated that the use of subordinates as a source of evaluation is not common in the banks hence implying that most of them do not get opportunities to assess the performance of their supervisors or seniors. Customers/clients are also used for evaluation by the banks to a moderate extent hence indicating that the banks appreciate views from other external stakeholders when evaluating performance.

The banks seem not to have embraced the idea of using consultants as the findings showed that it not a common source since most banks do not use it at all.

5.3 Conclusion

The study sought to establish the extent of adoption of 360 degree performance appraisal by commercial banks in Kenya. To this objective the study has concluded that 360 degree feedback has been widely adopted in commercial banks in Kenya. It was noted that the choice and number of the sources of evaluation to be used for the 360 degree performance appraisal may differ across the institutions but self evaluation, immediate supervisors, peers, and customers are widely used. The use of subordinates and consultants for 360 degree performance appraisal is not common.

The study also found that employee job satisfaction is influenced positively by this appraisal method that allows for an all round gauge of an employee's performance. 360-degree performance appraisal is used in the commercial banks to enhance individual employee's work performance thus bringing about improvement in quality and accuracy of work, job knowledge, ability to work as team members and quantity in output.

5.4 Recommendations

In terms of using 360-degree feedback as part of a performance management system, it is important to understand its effectiveness. The study recommends that the banks should assess the effectiveness of this method and should endeavor to use subordinates too more often as a source of evaluation so that managers can be able to get feedback from their juniors regarding their performance. Subordinate assessments of supervisor's performance can provide valuable developmental guidance.

5.5 Limitations of the Study

The researcher encountered various limitations that were likely to hinder access to information sought by the study. The researcher encountered problems of time as the research was being undertaken in a short period with limited time for doing a wider research. Some of the respondents approached were reluctant in giving information fearing that the information they give might be used against them or portray a negative image

about the institution. The researcher handled the problem by carrying an introduction letter from the University and assured the respondents that the information they gave was to be treated confidentially and it was to be used purely for academic purpose.

5.6 Areas for Further Research

This study has reviewed on the extent of adoption of 360 degree feedback by commercial banks in Kenya. The same study should be carried out in other industries to find out if the same results would be obtained. This study was carried out in Kenya thus should also be carried out all over the world in commercial banks to find out if the same results would be obtained. The challenges that may be encountered in implementing the 360 degree performance appraisal should also be established.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

The Respondent,

Dear Sir/Madam,

Re: Request for Research Data

I am a Postgraduate student in Business Administration MBA program at the University of Nairobi. My research project topic is “Extent of Adoption of 360-Degree Performance Appraisal by Commercial Banks in Kenya”.

In order to carry out the research, you have been selected to form part of those to provide the necessary data. The data will be gathered through the attached questionnaire. You are therefore kindly requested to fill out the same. The information you provide will be treated in strict confidence and is purely for academic purpose. In no way will your name appear in the final research report.

Your assistance and cooperation will be highly appreciated.

Sigei Beatrice Cherono

APPENDIX II: QUESTIONNAIRE

Section I: Respondent's Background Information

1. Name of the respondent's bank _____
2. Respondent's sex
Male () Female ()
3. Age of the respondent
 - i) Less than 25 years ()
 - ii) 25 to 34 years ()
 - iii) 35 to 44 years ()
 - iv) 45 to 54 years ()
 - v) 55 years and above ()
4. Respondent's highest level of education
 - i) Certificate/Diploma ()
 - ii) Degree ()
 - iii) Masters ()
 - iv) PhD/Doctorate ()
5. Length of service at your bank
 - i) Less than 6 months ()
 - ii) 6 months to 1 year ()
 - iii) 2 to 3 years ()
 - iv) 4 to 5 years ()
 - v) 6 to 7 years ()
 - vi) More than 7 years ()
6. In what capacity do you currently serve at your bank?
 - i) Junior staff ()
 - ii) Supervisor ()
 - iii) Middle management ()
 - iv) Senior management ()

Section II: Extent of Adoption of 360-degree Performance Appraisal System

7. Does your Human Resource Policy recommend use of 360- degree performance appraisal?

Yes () No ()

8. To what extent is the 360-degree performance appraisal system used in your bank?

i) Not at All ()

ii) Small extent ()

iii) Moderate extent ()

iv) Great extent ()

v) Very Great Extent ()

9. To what extent does the bank use the following sources of evaluation in carrying out 360-degree performance appraisal? Indicate your level of agreement with regard to your bank. *Key: 1=Very Great Extent, 2=Great Extent, 3= Moderate Extent, 4= Small Extent, and 5= Not at All.*

Sources of Evaluation	1	2	3	4	5
Self – Evaluation					
Immediate Supervisors					
Peers / Heads of Other Departments					
Subordinates					
Customers/ Clients					
Consultants					

10. Please comment on any relevant issue not captured in the questionnaire.

Thank you for your co-operation

APPENDIX III: LIST OF COMMERCIAL BANKS IN KENYA

1. ABC Bank (Kenya)
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank of Kenya.
6. Chase Bank (Kenya)
7. Citibank
8. Commercial Bank of Africa
9. Consolidated Bank of Kenya
10. Cooperative Bank of Kenya
11. Credit Bank
12. Development Bank of Kenya
13. Diamond Trust Bank
14. Dubai Bank Kenya
15. Ecobank
16. Equatorial Commercial Bank
17. Equity Bank
18. Family Bank
19. Fidelity Commercial Bank
Limited
20. Fina Bank
21. First Community Bank
22. Giro Commercial Bank
23. Guardian Bank
24. Gulf African Bank
25. Habib Bank
26. Habib Bank AG Zurich
27. Housing Finance Corporation of
Kenya
28. I&M Bank
29. Imperial Bank Kenya
30. Jamii Bora Bank
31. Kenya Commercial Bank
32. K-Rep Bank
33. Middle East Bank Kenya
34. National Bank of Kenya
35. NIC Bank
36. Oriental Commercial Bank
37. Paramount Universal Bank
38. Prime Bank (Kenya)
39. CFC Stanbic Bank
40. Standard Chartered Kenya
41. Trans-National Bank Kenya
42. United Bank for Africa
43. Victoria Commercial Bank