

**FACTORS AFFECTING EMPLOYEE PERCEPTION OF  
PERFORMANCE APPRAISAL PROCESS AT NATIONAL  
HOUSING CORPORATION**

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OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE  
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## **DECLARATION**

This research study is my original work and has not been presented for the award of a degree in this University or any other Institution of higher learning for examination.

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D61/72561/2012

### **Supervisor's Approval**

This research project has been submitted for examination with my approval as the University supervisor.

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## **DEDICATION**

This work is dedicated to Elly Odero Nyaidho for all the financial and moral support that he has tirelessly given to me through the years. His dedication and care has been priceless.

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I would like to acknowledge the following for their contributions which facilitated the completion of this project:

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## **ABSTRACT**

Performance appraisal is a key human resource management function which is viewed as a subset of performance management. It is significant for organizational growth and development and is instrumental for an organization to remain competitive. The objective of the study was to establish factors affecting employees' perception of the performance appraisal process at National Housing Corporation. The scope of the study was the Employees of the National Housing Corporation. The employees were 269 in number as at July 2013. Descriptive survey was used in the study. The study population focused on all the six Divisions: Finance, Estates, Technical, Corporate Services, Business Development and Manufacturing as well as the independent units: Legal and Internal Audit. Primary data was used in the study. A structured questionnaire was used to collect the data. Data for this study was analyzed using descriptive statistics. The study established that National Housing Corporation had a performance appraisal process in place that was relatively effective but which needed major improvements. It was established that some of the factors that affected employees' perception of the performance appraisal process at the National Housing Corporation included the fact that feedback during the appraisal process was not sufficiently accurate, performance appraisals were only done periodically, they were not used as a way of motivating staff, there was favoritism and nepotism by raters, setting of unrealistic targets, good performance was not rewarded, there was lack of adequate knowledge on individual performance and the overall organizational goals and objectives, lack of adequate resources and failure to implement supervisors appraisal recommendations. The study recommends that employees' be involved in designing the rating and measurement scales to ensure development of reliable, valid, fair and useful performance standards. The study also recommends regular training of raters on performance appraisal as well as redesigning of the appraisal tool for effectiveness in measuring different dimensions of performance. The study recommends further research on factors affecting employee's perception of the performance appraisal process in all the 31 state Corporations in Kenya.

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Organizations in the public and private sectors around the world are struggling with their performance measurement systems. In particular they are finding it difficult to develop cost effective, meaningful measures that drive performance improvement without leading to undesired negative consequences. This can be made possible by ensuring an effective performance appraisal process that can systematically increase employee commitment by improving the performance level of an individual as well as of an organization (Gardner and Moynihan, 2003). Creating a positive image in the current competitive market has become an overt objective of any organization. This has many manifestations and has become very tricky and challenging.

In a highly competitive era of globalization, companies need high performance. According to Kinlaw (1988), employees' perception is very important, but rarely considered. It is often seen that a performance appraisal is considered as just a formality and is very boring. This is because the results of performance appraisals are not often followed by any feedback. Companies that seek to gain competitive advantage through employees must be able to manage the behaviour and results of all employees especially in an increasingly complex environment and the rapid change of technology which have created some new challenges to many organizations. Fajana (2002) argue that traditionally the formal performance appraisal system has been viewed as the primary means of managing employee performance. Performance appraisal was an administrative

duty performed by managers and primarily the responsibility of the human resource function.

### **1.1.1 Concept of Perception**

Perception is the attitude towards policies concerned with pay, recognition, promotion and quality of working life, and the influence of the group with whom they identify (Armstrong, 2006). As Arnold *et al* (1991) comment, research evidence has shown that people's avowed feelings and beliefs about someone or something seemed only loosely related to how they behaved towards it and thus the study of perception is critical toward formulation and management of policies in an organization. Dash *et al.* (2008) report that the factors of recognition for performing well, chances of promotion, professional growth, compensation and incentive schemes, are perceived as motivating factors for employees.

The introduction and implementation of a performance management system carries profound implications for both employees and organizations. For employees, performance appraisals have direct implications for rewards and recognition. Organizations invest huge amounts of financial and non-financial resources on performance management systems, and it is important that such systems are owned and used effectively by all concerned. Therefore, employees' perceptions of the system are vital (Fletcher 2004). According to Messer and White (2006), employees' perceptions of fairness affect their likelihood to demonstrate organizational citizenship behaviours. In this case, perceived unfairness and ineffectiveness of the performance management system can result in counterproductive and sometimes detrimental behaviour from employees. When individuals perceive that they are treated fairly, they express greater

satisfaction with social relationships (Clay-Warner, Hegvedt & Roman, 2005, p.89). This is an indication that organizations and their systems and processes are susceptible to the power of human perceptions. Bretz, Milkovich and Read (2002) indicate that the most important performance appraisal issue faced by organizations is the perceived fairness of the performance review and the performance appraisal system. Their findings suggested that most employees perceive their performance appraisal system as neither accurate nor fair. Skarlicki and Folger(1997) suggest that the appraisal process can become a source of extreme dissatisfaction when employees believe the system is biased, political, or irrelevant. In general, research indicates that perceptions of fairness arise from consideration of the outcomes received (outcome fairness); the procedures used to determine those outcomes (procedural fairness); and the way in which the decision-making procedures were implemented and explained (interpersonal fairness) (Smither, 1998).

### **1.1.2 Performance Appraisal Process**

Performance appraisal is a key human resource management function which is viewed as a subset of performance management. Rao (2005, p.336) opines that “performance appraisal is a method of evaluating the behaviour of employees in the work spot, normally including both the quantitative and qualitative aspects of job performance”. Dessler (2008, p.336) views performance appraisal as any “procedure that entails setting work standards, assessing employee’s actual performance relative to those standards, and providing feedback to the employees with the aim of motivating him/her to eliminate performance deficiencies or to continue to perform above par”. The aims of appraisal according to Fajana (2002) are three fold: appraisal entails historical review of

employees' performance; it is a means for distributing rewards as well as a means for determining training and development needs.

An organization's performance appraisal process can be a practical tool for employee motivation and development when employees perceive their performance appraisals as accurate and fair (Messer and White, 2006). Appraisal practices often include formal review and feedback sessions, and may include procedures for establishing work objectives, conducting self-appraisals, and setting performance goals. The processes inherent in these systems and the performance appraisal outcomes themselves can have an important influence on employees' reactions toward their work, their supervisors, and their organization as a whole. The appraisal process can also become a source of frustration and extreme dissatisfaction when employees perceive that the appraisal system is biased, political or irrelevant (Skarlicki and Folger, 2007).

Leaders of organizations may know that employees perceive their performance appraisal processes as unfair, but they have not had a convenient way of measuring their specific appraisal practices (Peretomode and Peretomode, 2001). Leaders who do not know the specific faults of current appraisal practices often assume that the entire system is bad. They may be limited to the choice of accepting the status quo, or scrapping old systems for new ones with the hope of improving employee reactions. New performance appraisal systems replace old, without any determination of the root causes of the dissatisfaction and without any basis for the new system. One possible way to rectify this situation is to provide leaders with the information necessary to make sensible decisions concerning their existing performance appraisal processes.

### **1.1.3 Factors Affecting Employee's Perception of Performance Appraisal Process**

Several factors explain employee perceptions of performance appraisal system. Employee Participation affects performance appraisal process. Roberts (2003) proposes genuine employee participation in several aspects of the appraisal process because it has the potential to mitigate many of the dysfunctions of traditional performance appraisal systems as well as to engender a more human and ethical human resource management decision-making process. The first participation should according to him take place during the development of reliable, valid, fair and useful performance standards. Secondly, there should be employee participation during designing the rating format and measurement scales. The participation of employees functions most effectively in an atmosphere of trust, open communication and equal employee treatment.

Rating techniques also significant because of the variety of different techniques here it is concentrated on the most often researched ones: graphic rating scale, behaviourally anchored rating scale, behavioural observation scale and mixed standard scale. The behaviourally anchored rating scale (BARS) was developed to make the rating task easier what in turn is expected to result in more accurate ratings. BARS use behavioural statements or concrete examples to illustrate multiple levels of performance for each element of performance (Tziner and Kopelman, 2002). A major aspect of developing an effective performance system is training for those individuals involved as raters. This training should start with a focus on providing the manager with a systematic approach to the practice of effective people management (Goff and Longenecker, 1990). This training

needs to focus on the process of managing, motivating and evaluating employee performance: performance evaluation is only a part of this overall process and it is important that managers see it within its wider context and not as a simple “quick fix” solution.

Supervisors are pivotal in performance appraisal as they are generally responsible for setting performance objectives, providing formal and informal feedback, and the overall rating of the employees’ performance. Uses of the performance rating vary but include determining the extent of any subsequent pay rise, promotion or dismissal. So an employee’s current and future employment prospects can be heavily influenced by their supervisor’s evaluation of their performance. The findings of Greenberg (2006) identified the ability of a supervisor to make an accurate evaluation of subordinate’s performance as an important influence on fairness perceptions. Levy and Williams (1998) also found that knowledge of the PA system was a significant and positive influence on fairness perceptions. Levy and Williams (1998) examined the relationship between perceived system knowledge and performance appraisal fairness in two separate studies conducted with bank employees. In both studies perceived system knowledge referred to an understanding of the objectives and operation of the appraisal system as well as the overall goal of the performance appraisal process.

#### **1.1.4 National Housing Corporation**

The National Housing Corporation is a statutory body established by an Act of Parliament Cap. 117 as was amended in 1967. Its primary mandate is to play a principal role in the implementation of the Government’s Housing Policies and Programmes. The



Corporation's Board of Directors consists of the Permanent Secretary, Ministry of Housing and Permanent Secretary, Ministry of Finance and others appointed by the Minister of Housing. The National Housing Corporation has its origins in 1953 when the Colonial Government of Kenya created a Central Housing Board through the Housing Ordinance. The Board was the principal medium through which the colonial Government could promote the development of houses for Africans. In 1959, the Board's activities were extended beyond the promotion of African housing in order to cater for Europeans and Asians. In 1965, the Board decided to undertake direct construction of dwelling in areas where Local Authorities were unable or unwilling to do so. In the same year through an amendment of Housing Ordinance of 1953, National Housing Corporation was established thereby replacing the Central Housing Board. The Corporation has assisted Wananchi and Local Authorities in building decent affordable houses through its various schemes such as Tenant Purchase, Outright Sale, Rural and Peri-Urban Housing Loans and Rental Housing.

In February 2013, National Housing Corporation opened its EPS Factory to explore new technology for the production of houses. This was necessitated by the need to introduce new building materials that were less reliant on the exhaustible quarry stone. The Factory has adopted production of Expanded Polystyrene Panels (EPS) for whole house assembly. This will help the corporation to increase its speed of construction. The National Housing Corporation's vision is 'a decently housed nation', while its mission is to play a leading role in efficient provision of adequate and affordable housing and related services ([www.nhckenyaco.ke](http://www.nhckenyaco.ke)). National Housing Corporation has six divisions which are Finance, Estates, Technical, Corporate Services, Business Development and

Manufacturing. It also has two independent units which are Legal and Internal audit. The total number of staff is 269. All staff members save for the top management are on permanent and pensionable terms of service.

National Housing Corporation like other government institutions uses the Management by Objective method of performance Appraisal. This involves “setting specific measurable goals with each employee and then periodically reviewing the progress made” (Dessler, 2008, p.353). According to Ikemefuna (2005), this is a performance appraisal method that includes mutual objective /goal setting and evaluation based on the attainment of specific objectives or goals. It divides organizational objectives into individual objectives. It seeks to measure employee performance by examining the extent to which predetermined work objectives have been met. This is a result-oriented process, rather than activity – oriented, and is based on the premise that performance can best be measured by comparison of actual results to planned or expected results. National Housing Corporation as a government institution signs the performance contract with the Ministry of Lands, Housing and Urban Development at the beginning of each financial year. The performance contract is then cascaded downwards to all employees in the Corporation with specific measurable targets.

## **1.2 Research Problem**

Perception is the attitude towards policies concerned with pay, recognition, promotion and quality of working life, and the influence of the group with whom they identify (Armstrong, 2006). Roberts and Reed (1996) submit that participation, goals, and feedback impact on appraisal acceptance, which affects appraisal satisfaction and eventually employee motivation and productivity. Keeping and Levy (2000) claim that an

appraisal system will be ineffective if ratees and raters do not see it as fair, useful, valid, accurate, etc. Measuring appraisal effectiveness involves, among other things, assessing perceptions of those involved in the process or actual rater errors and biases, rating accuracy and reactions of raters and ratees about the PAS in place (Keeping & Levy (2000). Folger et al., (1992) identify three elements that must be present to achieve higher perceptions of fairness: adequate notice, fair hearing and judgment based on evidence. In general, both raters and ratees respond more favourably to fair performance appraisal systems (Brown & Benson, 2003).

The National Housing Corporation adopted the performance appraisal process in the year 2003 to conform to the government regulations that required all State Corporations to sign performance contracts and have the performance targets cascaded to all civil servants. Performance appraisals were intended to enable the state institutions to measure staff's performance and are carried out on an annual basis. The Corporation spends a lot of resources in terms of time, paperwork, filing space and associated workload to appraise close to 300 number employees in a move aimed at improving or maintaining performance. However, it does not seem to gain so much from the appraisal process. According to the Management Report (2008), the overall performance of the state corporations (including the National Housing Corporation) has fairly gone down. In the financial year ending June 2013, the Corporation scored a rating of 3.6 in performance appraisal which falls in the 'fair' category of performance (Interview by the Chief Human Resources Officer, National Housing Corporation, July 2013). This means that there is need for improvement. The performance categories range from 1 (very good) to 5 (unsatisfactory). According to Tippins and Coverdale, (2009), most employees perceive

performance appraisal only as a routine yearly exercise to assess their performance against which they will be rewarded or penalized. However, appraisals should not be a one-off event and they should be part of an ongoing cycle of performance management in order to change the perception of employees. All workers expect to be rewarded and recognized for their efforts

Locally, Owuor (2005) studied the implementation process of performance appraisal in large manufacturing firms in Nairobi, Richu (2007) conducted a survey of teacher's perception of performance appraisal practices in public secondary schools in Nakuru District, Wanyama (2007) conducted a study on Employee perception of performance appraisal the case of University of Nairobi. The study established that the performance appraisal system in place faced various challenges and among the factors found to influence employee perception includes the following: lack of clarity on purpose of staff performance appraisal, no link between performance appraisal results and reward system. Awori (2007) did a study on performance appraisal practices in state corporations in Kenya while Jematia (2008) studied the performance appraisal practices among MAS media houses in Kenya. M'mbui (2011) conducted a research on effect of performance appraisal on employee job satisfaction in Kenya revenue authority. The findings of the study showed that performance appraisal helps KRA and individual employees meet set targets, however there was lack of job satisfaction. Nzuve et al (2012 ), did a study on an assessment of employees' perception of performance appraisal a case study of the department of immigration in Nairobi. The study revealed that though performance appraisal on paper was built on solid principles, its implementation as relates to the scope of application highlighted old performance appraisal system. Based on a review of these

previous studies, the researcher is not aware of any study on the factors affecting employees' perception of the performance appraisal systems focusing on National Housing Corporation. The study aimed at answering the following research question; what factors affect employees' perception of the performance appraisal process at National Housing Corporation?

### **1.3 Research Objectives**

To establish factors affecting employees' perception of the performance appraisal process at National Housing Corporation

### **1.4 Value of the Study**

This study will be of value to the management of the National Housing Corporation. A good performance appraisal system will assist the organization in succession planning, identifying gaps in human resources planning, ensuring organization's and individual's objectives are in harmony, improving communication and performance. The human resource policies and procedures need to be closely linked so as to contribute to the achievement of objectives and strategic plans. The study will be important to the management of other State Corporations as they will understand the factors affecting employees' perception of the performance appraisal process and thus put in place corrective measures which will be useful to improve the situation involving staff performance appraisal and employees' performance so as to achieve the organization's effectiveness.

This study will benefit different ministries in making policy decisions whose overall objectives are to accelerate the rate of growth in the Commercial State Corporations. It

will help the government to understand the factors that make employees perceive the appraisal system the way they do in order to realize the intended benefits that warranted the development of the appraisal system. The study will also form good literature upon which further research on performance appraisal will be based. The literature will be valuable to the academicians and researchers in Kenya for academic purposes in learning on the significance of employees' perception of the performance appraisal.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter presents the past or previous studies that have been done on performance appraisal process. The chapter hence examines performance appraisal process, as well as factors affecting employee perception of performance appraisal process where employee participation, rating techniques, training, the supervisor, performance feedback, employee knowledge and skills and accuracy of rating factors are examined.

### **2.2 Performance Appraisal Process**

While the concept of performance appraisal is not new, the study of employee perception of the concept is still going on. Mullins (1996) defines perception as “the mental function of giving significance to stimuli”. The process of perception explains the manner in which information from the environment is selected and organized to provide meaning for an individual. People see things in different ways bringing about different reactions to the same issue. The way employees perceive performance appraisal will go a long way to affect the importance that is attached to it.

With regards to appraisal perception, Levy and Williams (2004) believe that trust issues can limit the effectiveness of performance appraisal. For instance, if ratees have low levels of trust for their supervisor, they may be less satisfied with the appraisal and may not as readily accept feedback from that source. Hedge and Teachout (2000) examined predictors of acceptability and found that trust associated with other raters, the appraisal process, and the researchers were all significant predictors of appraisal acceptability for

both job incumbents and supervisors. Similarly, Mani (2002) examined employee attitudes related to appraisal and found that trust in supervisors was important for determining satisfaction with the appraisal system. Execution of performance appraisal means that underlying assumptions to performance appraisal exist. Davis and Landa (1999) found that the absence of fair procedures increases distress because the results of performance appraisal are essentially outside the control of the employee. But if employees are confident in the fairness of performance appraisal process, they are more likely to accept performance ratings, even adverse ones (Roberts, 2003).

According to Rao (2005) the starting point for the performance appraisal process is identifying specific performance goals. An appraisal system probably cannot effectively serve every desired purpose, so management should select the specific goals it believes to be most important and realistically achievable. For example, some firms may want to stress employee development, whereas other organizations may want to focus on pay adjustments. Too many performance appraisal systems fail because management expects too much from one method and does not determine specifically what it wants the system to accomplish. The next step in this ongoing cycle continues with establishing performance criteria (standards) and communicating these performance expectations to those concerned. Then the work is performed and the supervisor appraises the performance. At the end of the appraisal period, the appraiser and the employee together review work performance and evaluate it against established performance standards. This review helps determine how well employees have met these standards, determines



reasons for deficiencies, and develops a plan to correct the problems. At this meeting, goals are set for the next evaluation period, and the cycle repeats.

## **2.3 Factors Affecting Employee's Perception of Performance Appraisal Process**

A range of factors might be identified to explain employee perceptions of performance appraisal system. From a policy and practice perspective it is useful to focus on the processes of performance appraisal as these can be managed by organizations.

### **2.3.1 Employee Participation**

An organization can change the rules and affect the operation of a performance appraisal system, through for example, the training they provide to supervisors who conduct appraisals. Dobbins, Cardy and Platz-Vieno (1990) reported that appraisal fairness was found to have strong positive correlations with the level of two-way communication. Fairness perceptions are also enhanced by two-way communications as they are useful in plotting employees' progress towards their performance objectives and provide the employees with an opportunity to raise issues that influence their ability to achieve their performance objectives.

Roberts (2003) proposes genuine employee participation in several aspects of the appraisal process because it has the potential to mitigate many of the dysfunctions of traditional performance appraisal systems as well as to engender a more human and ethical human resource management decision-making process. The first participation should according to him take place during the development of reliable, valid, fair and useful performance standards. Secondly, there should be employee participation during

designing the rating format and measurement scales. The participation of employees functions most effectively in an atmosphere of trust, open communication and equal employee treatment. Therefore, it requires conceptual, affective and experiential education which can be reached by means of training (Roberts, 2003). Roberts (2003) also points at the need to execute regular employee attitude surveys and focus groups to systematically evaluate performance system participation effectiveness.

### **2.3.2 Rating Techniques**

Rating techniques can be distinguished on basis of several factors (Berry, 2003): use of a rating scale, ease of development, amount and kind of information which is yielded and the purpose of the rating. Because of the variety of different techniques here it is concentrated on the most often researched ones: graphic rating scale, behaviourally anchored rating scale, behavioural observation scale and mixed standard scale. The most common way for a rater to express a judgment of a ratee's job performance is with a graphic rating scale. Such scales provide a continuum from high to low performance levels concerning an overall performance or specific performance dimensions (Berry, 2003). Anchors which can be verbal or numerical are placed at the mid- and/or endpoints on the scale. The rater then has to indicate with either on-point or between point responses how the individual has performed. According to Parril (1999) graphic rating scale has three advantages: First, this procedure is simple, easily constructed and implemented what makes it a cost-effective method for evaluating employees. Second, the results from that method are standardized what allows comparisons to be made between ratees. Third, because of the ease of use graphic rating scale are appealing to evaluators.

The behaviourally anchored rating scale was developed to make the rating task easier what in turn is expected to result in more accurate ratings. Behaviourally anchored rating scale uses behavioural statements or concrete examples to illustrate multiple levels of performance for each element of performance (Tziner and Kopelman, 2002). The rater than acts as an observer who indicates which behavioural description most closely resembles the ratee`s work behaviour instead of requiring the rater to act as a judge who decides whether the ratee`s performance on each element is excellent, average or below average (Harrell and Wright, 1990). Rarick and Baxter (1986) summarized the potential advantages: First, raters get a clearer idea of what constitutes good job performance. Thus, the ambiguity concerning expectations is reduced. Second, behaviourally anchored rating scale results in more accurate measurements because of a better understanding of the requirements for good job performance. This opinion is supported by Tziner and Kopelman (2002) who found behaviourally anchored rating scale to be less susceptible than graphic rating scale to both halo and leniency effects. Third, a better performance feedback can be given because behaviourally anchored rating scale provides guidelines for improving work performance. Harrell and Wright (1990) add that behaviourally anchored rating scale helps rater focus on specific desirable and undesirable incidents of work behaviour which can serve as examples in discussing a rating. This in turn increases the ratee`s perception of the feedbacks accuracy. Fourth, there is a better consistency in terms of interrater reliability. This was also found by Tziner and Kopelman (2002).

The behavioural observation scale is a procedure that was also based on behaviourally anchored rating scale rationale for reducing subjectivity and error in performance appraisal (Latham and Wexley, 1977). This technique asks raters to report the frequency of certain behaviour. Behavioural observation scale results in several advantages: According to Tziner et al. (1992), first behavioural observation scale produces higher levels of employee satisfaction with appraisal process. Second, because it pinpoints the precise course of action needed to improve performance, behavioural observation scale seems superior in fostering behaviour change. Tziner and Kopelman (2002) additionally state that behavioural observation scale appears more likely to minimize barriers in the communication process between superiors and subordinates because it pinpoints for both the specific organisational expectations and performance requirements. This way, role ambiguity and role conflicts are likely to be reduced. Furthermore, behavioural observation scale decreases raters' fear of possible confrontations with their subordinates because this technique directs the discussion toward the frequency of specific behaviours, rather than toward the raters' evaluation of those behaviours.

### **2.3.3 Training**

A major aspect of developing an effective performance system is training for those individuals involved as raters. This training should start with a focus on providing the manager with a systematic approach to the practice of effective people management (Goff and Longenecker, 1990). This training needs to focus on the process of managing, motivating and evaluating employee performance: performance evaluation is only a part of this overall process and it is important that managers see it within its wider context and not as a simple "quick fix" solution. Rudner (1992) proposes that training should aim at

three goals: First, it should familiarize judges with the measure they will be working with. Second, it must ensure that judges understand the sequence of operations that they must perform.

Third, it should explain how the judges should interpret any normative data that they are given. Because errors are well-ingrained habits, Tziner and Kopelman (2002) state that extensive training is necessary for avoiding such errors. Therefore, the training should provide trainees with broad opportunities to practice the specified skills, provide trainees with feedback on their practice appraisal performance, and that a comprehensive acquaintance with the appropriate behaviours to be observed. Harris (1988) also points at the necessity of training: Continued training is needed in areas such as goal-setting and monitoring performance on a frequent basis, and personal and interactional skills. She proposes that an organization could provide training on a regular basis in such a manner that it becomes an accepted part of the supervisor's position and thus becomes a part of the organizations culture.

Training should begin those levels of management that will be involved in administering the programme and providing training for lower levels of supervision. Once these senior managers have "bought into" the system, skills training is needed for junior managers and supervisors. This specific training should include at least the following: supervision skills; coaching and counselling; conflict resolution; setting performance standards; linking the system to pay and providing employee feedback (Evans, 1991). Once an individual rater has been through the necessary training, periodic refresher courses will be required to help the rater maintain necessary skills in performance assessment

(Deborah F. and Brian H., 1997). Raters involved in the appraisal process should also be evaluated on how they conduct performance evaluations. This will help to make sure that evaluations are performed in a similar and consistent manner throughout the organization. This then goes a long way into improving the perception of the appraisal system for both the rater and the ratee. The ability of the ratee to set proper performance standards, make fair judgement and their knowledge of the ratees job requirements serves to influence the perception of the ratees towards the whole process to be positive.

### **2.3.4 The Supervisor**

Supervisors are pivotal in performance appraisal as they are generally responsible for setting performance objectives, providing formal and informal feedback, and the overall rating of the employees' performance. Uses of the performance rating vary but include determining the extent of any subsequent pay rise, promotion or dismissal. So an employee's current and future employment prospects can be heavily influenced by their supervisor's evaluation of their performance. The findings of Greenberg (2006) identified the ability of a supervisor to make an accurate evaluation of subordinate's performance as an important influence on fairness perceptions. Fulk, Brief and Barr (1985) identified a belief that open communication with the supervisor would not result in negative repercussions as important in promoting perceptions of performance appraisal fairness (Fulk, Brief and Barr 1985, 302). Greenberg (1986, 340) used an open-ended questionnaire to discover what individuals considered as the most decisive factor in a 'particularly fair or unfair performance evaluation'. The most important factor, out of a final list of five, was supervisory consistency in the application of standards. Cumulatively, these studies suggest that fairness perceptions are more likely to be

enhanced when the supervisor is seen to be 'neutral': that is when an individual employee is 'treated without bias' (Konovsky 2000, 494).

According to Rizzo, House, and Lirtzman (1970, p.152), "if an employee does not know what he has the authority to decide, what he is expected to accomplish, and how he will be judged, he will hesitate to make decisions and will have to rely on a trial and error approach in meeting the expectations of his superior". Thus, it is mandatory for a supervisor to communicate performance expectations to subordinates and also set his/her performance goals. Additionally, in goal setting process, individual's performance goals should be aligned with overall organizational goals, because this will give direction to employee on how he can work for the success of an organization (Storey and Sisson, 1993).

### **2.3.5 Performance Feedback**

Giving feedback to the employee generally aims at improving performance effectiveness through stimulating behavioural change. Thus, the manner in which employees receive feedback on their job performance is a major factor in determining the success of the performance appraisal system (Harris, 1988). Hearing information about the self discrepant from ones self-image is often difficult and painful. Therefore, because feedback may strike at the core of a person's personal belief system it is crucial to set conditions of feedback so that the ratee is able to tolerate, hear, and own discrepant information (Dalton, 1996). Only if conditions facilitate the acceptance of feedback information then the likelihood of change increases. Dalton (1996) further specifies these conditions as follows: The feedback event should be a confidential interaction between a

qualified and credible feedback giver and ratee to avoid denial, venting of emotions, and behavioural and mental disengagement. In such an atmosphere discrepancies in evaluations can be discussed and the session can be used as a catalyst to reduce the discrepancies (Jacobs et al., 1980).

Since employees and their supervisors often find appraisal both painful and demotivating, Davis and Landa (1999) argue that practice of informal and regular communication between supervisor and employee are far more desirable and effective than formal performance appraisal process. Kondrasuk et al (2002) also propose to integrate the process of feedback into the daily interactions of supervisors and subordinates in a way that is more frequent but in less formal meetings. Achievement updates on a weekly basis then touch upon good and bad issues, while so called achievement assessments take place bimonthly, are more formal and aim at getting a more clear depiction of issues troubling both sides.

Roberts (2003) instead concludes that effective feedback is timely, specific, behavioural in nature and is presented by a credible source. For feedback to be effective and precise, it should be frequent such that any discrepancies and malpractice are pointed out as they occur and corrective measures taken in good time. Tziner et al (1992) were able to prove that when performance feedback is precise and timely it may result in behaviour change, even though job behaviours are generally difficult to modify. And if during the interview is adequate time for a full discussion of the issues and counseling, it will enhance perceived system fairness, system satisfaction, acceptance and supervisory support (Roberts, 2003).



Furthermore performance feedback alone generates improvements to rates` organizational commitment, and particularly to work satisfaction (Tziner and Kopelman, 2002). But performance feedback combined with goal-setting contributes most strongly to rates work satisfaction; possibly since goal-setting fosters feelings of participation in work related issues and meaningfulness at work. Tziner and Kopelman (1992) also found that the process of goal-setting gives the appraisee a broader picture of the work unit and the organizations` objectives. Harris (1988) supports the findings about the positive effects of goal-setting. She recommends an evaluative interview for providing feedback which focuses on problem-solving and goal-setting and which has high employee involvement. Done this way it is more likely to be satisfying to employees than retrospective, subjective interviews. Thus, giving feedback in an appropriate manner is a key factor in determining the employee`s willingness to adapt behaviour.

### **2.3.6 Employee Knowledge and Skills**

Levy and Williams (1998) found that knowledge of the PA system was a significant and positive influence on fairness perceptions. Levy and Williams (1998) examined the relationship between perceived system knowledge and performance appraisal fairness in two separate studies conducted with bank employees. In both studies perceived system knowledge referred to an understanding of the objectives and operation of the appraisal system as well as the overall goal of the performance appraisal process. The first study found that where appraisees believed they understood the appraisal system they were more likely to judge the system as fair (Levy and Williams 1998, 62).

Knowledge of the performance appraisal process can be seen as consisting of a number of elements: clarity about the role of appraisals, understanding of performance objectives and acceptance of those objectives. Each of these three dimensions of knowledge add to an employee's feelings of process control: employees are aware of why the appraisal is taking place, what they are required to do in order to be successful in the appraisal, and the consequences of the appraisal. There will be 'no surprises' for the employee during the appraisal cycle, which is likely to contribute to perceptions of performance appraisal fairness.

Although Folger et al., (1992) identified specific interventions that should be implemented to increase due process, they cautioned that, "due process mechanisms must be implemented in terms of guiding principles (designed with process goals in mind) rather than in a legalistic, mechanical, rote, or "cookbook fashion". Taylor, et al., (1998) conducted an initial test of this model and found that ratees appraised within a due process approach reported more positive appraisal perceptions (satisfaction with appraisal system and rating, higher perceptions of fairness and rating accuracy). Another research work conducted by Erdogan et al., (2001), also supported the positive effects of due process on appraisal outcomes. Specifically, they found that elements of due process (knowledge of criteria, fair hearing) were differentially related to system and rater procedural justice perception.

### **2.3.7 Accuracy of Rating**

The accuracy of ratings is determined by the reliability and validity of the measurement at hand. Reliability refers to the relative absence of random measurement error in a

measurement instrument or precision of a measurement instrument (Harrell and Wright, 1990). According to research theory, a measurement is always formed out of a true score plus some error score. But the goal is of course to keep the error component minimal. To measure reliability, mainly three different methods exist (Jacobs et al., 1980): The first is the interrater-reliability which assesses the consistency of ratings across different raters. Consistency over time is referred to as retest-reliability. Internal reliability describes whether statements are consistent. Rothstein (1990) suggests that the reliability of ratings may be increased by providing sufficient opportunity to observe which will also improve the accuracy of ratings.

Rating accuracy is an important, albeit insufficient condition for feedback to positively affect future performance (Jelley and Goffin, 2001). Unfortunately, there are several different error phenomena which all pose a threat to the accuracy of ratings (Jacobs et al., 1980). In general, these errors can be differentiated as being related to inadequate observations, faulty standards or expectations about performance, and difficulties in using a rating scale (Berry, 2003). Recency error is an example for observational errors. It refers to situations in which the rater may neglect to pay much attention to an employee until just shortly before the performance appraisal is due. The caused evaluation is likely not to fully represent the ratee's performance (Berry, 2003). Harrell and Wright (1990) examined the influence of cognition on performance ratings as an explanation for such observational error. They found that the fact that individuals have cognitive limits to information processing forms a great obstacle for raters. To deal with it raters often form their own reality on the basis of information available to them, selectively attending to some behaviour while ignoring others.

Leniency and central tendency errors are examples of distributional errors. Leniency error is a tendency to rate higher than ratees deserve (Jacobs et al., 1980). The resulting mean rating score is high, variance among scores is low, and scores are concentrated at the high end of the distribution (Berry, 2003). Other things being equal, the more severe the perceived consequences of a negative rating, the greater the incentive for the rating to be lenient (Dalton, 1996). Employees always have their own perceptions about their performance standards compared to that of others who do the same job as them. Rating errors therefore are easily picked up by the rates when they find that they score less or same as colleagues whom they believe perform at a standard that is below their own. When ratings are perceived as inaccurate by the ratees therefore, it affects their perception of the whole appraisal system. The results are more often than not loss of motivation and subsequently a drop in performance.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter describes the methods and tools that were used in collecting the available data. It includes the research design, sampling design, data collection methods and instruments, data processing and analysis.

### **3.2 Research Design**

This study adopted a descriptive survey design. This design was appropriate for this study because all the elements were investigated at the same point in time.

### **3.3 Population**

The target population was staff members of the National Housing Corporation. The structure of the Corporation consists of Senior Management, Middle Management, Supervisory Staff and Lower cadre employees. The total number of staff at the National Housing Corporation is currently 269 (National Housing Corporation Human Resource Establishment June 2013).

### **3.4 Sample**

A sample of 81 staffs was utilized in this study drawn from Finance, Technical, Estates, Corporate Services, Business Development, Manufacturing, Audit and Legal Divisions. The sampling plan describes the sampling unit, sampling frame, sampling procedures and the sample size for the study. The sampling frame describes the list of all population units from which the sample was be selected (Cooper & Schindler, 2003). Kotler et al. (2001) argues that well chosen, samples of about 30-40% of a population can often give good reliable findings. Based on this, a sample of 81 staffs (30%) was utilized in this study.

### **3.5 Data Collection**

The study used primary data. Primary data was collected through self-administered questionnaires. The questionnaires were administered to the staff through the Corporation's Human Resource Section. The researcher personally delivered the questionnaires to the respondents then collected them later through the drop and pick later method. The questionnaires were divided into 5 sections. Section A entailed General Information; section B entailed questions on Performance Appraisal while Section C entailed questions on factors affecting employees' perception of the performance appraisal process.

### **3.6 Data Analysis**

Descriptive statistics technique was used to analyze the quantitative data. Coding was done in SPSS, analyzed and the output interpreted in frequencies and percentages. The findings were presented using tables, graphs and pie charts. This was enhanced by an explanation and interpretation of the data. Factor analysis was also applied. This is a statistical method used to describe variability among observed correlated variables in terms of a potentially lower number of unobserved variables (factors). Factor analysis attempts to bring inter-correlated variables together under more general underlying variables.

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.1 Introduction**

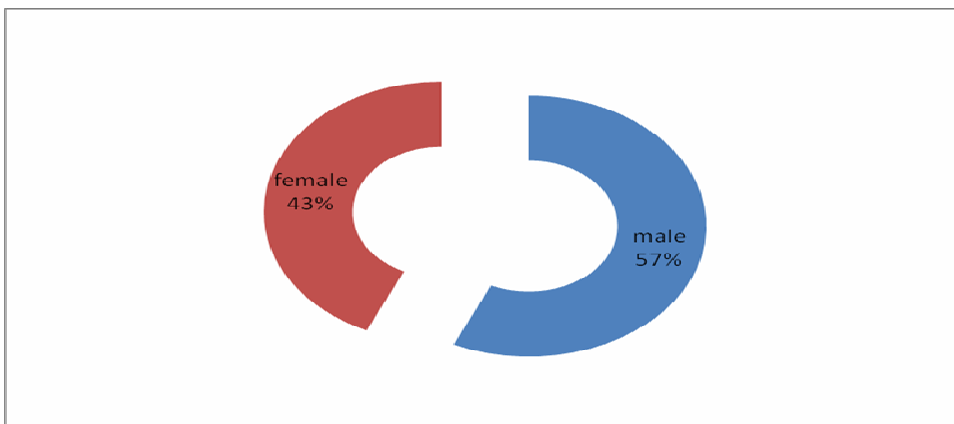
This chapter presents the analysis and interpretations of the data collected. The research was conducted on a sample of 81 respondents from Finance, Technical, Estates, Corporate Services, Business Development, Manufacturing, Audit and Legal Divisions. However, out of the issued questionnaires, 51 were returned duly filled in making a response rate of 62.9%, which was sufficient for statistical reporting.

### **4.2 Demographic Characteristics of the Respondents**

The respondents were asked to respond to a series of questions about themselves and the organization.

#### **4.2.1 Gender of the Respondents**

**Figure4.1: Gender of the respondents**



From the findings, 57 % of the respondents were male and 43% were female. This implied that National Housing Corporation has more males than females in the various departments and consequently, most of the responses emanated from the males.

## 4.2.2 Designation of the Respondents

National Housing Corporation has six Divisions which are Finance, Estates, Technical, Corporate Services, and Manufacturing. It also has two independent units which are Legal and Internal audit.

**Table4.1: Designation of the respondents**

<b>Designation</b>	<b>Frequency</b>
Clerical Officer	7
Legal Assistant	1
Internal Auditors	2
Programming Assistant	2
Support Staff	1
Administrators	8
Machine Operators	2
Production Engineer	1
Management Officers	2
ICT Officers	4
Accountants	9
Procurement Officers	2
Quantity Surveyors	4
Assistant Architects	3
Engineers	4
Total	51

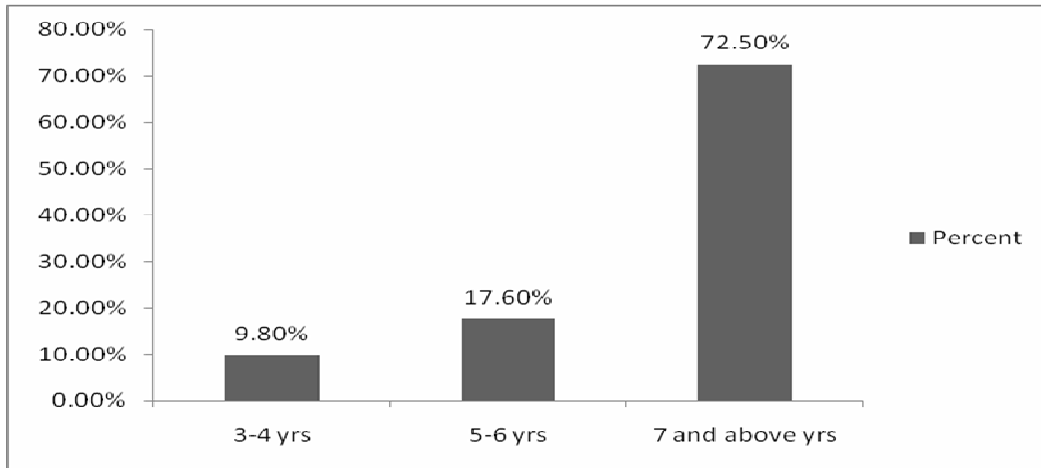
The table above indicates that the study included all the divisions in the survey.

## 4.2.3 Length of Service

The National Housing Corporation adopted the performance appraisal process in the year 2003 to conform to the government regulations that required all State Corporations to sign performance contracts and have the performance targets cascaded to all civil servants. With this in mind the study sought to determine the length of time the respondents had worked for National Housing Corporation.



**Figure4.2: Length of Service**



According to the findings, 72.5% of the respondents said they had worked for National Housing Corporation for 7 and above years, 17.6% said they had worked for 5-6 years while 9.8% said they had worked for 3-4 years. This depicts that most of the respondents had been working with the company long enough hence giving them a better understanding of the organization's procedures and in particular the performance appraisal system.

### **4.3 Factors Affecting Employees' Perception of Performance Appraisal Process**

In this section the study sought to investigate the various factors affecting employees' perception of performance appraisal process at National Housing Corporation. The responses were rated on a five point Likert scale where: 1 = Strongly disagree 2 = Disagree 3 = Neutral 4= Agree and 5= Strongly agree.

### 4.3.1 Performance Appraisal System

The researcher sought to establish whether National Housing Corporation had a performance appraisal system in place and how effective it was perceived to be. The findings revealed that it is true that National Housing Corporation has a performance appraisal system.

### 4.4 Factors Analysis

Factor analysis was performed on all the 37 items that represented factors affecting employees' perception of the performance appraisal process at National Housing Corporation. The item analysis resulted in extraction of six factor solutions that met Kaiser Criteria of more than one Eigen value. The table below shows the six factors that accounted for 84.93 percent of variance in data.

**Table 4.2: Number of Factors and Eigenvalues**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	19.426	44.151	44.151	19.426	44.151	44.151
2	7.984	18.145	62.296	7.984	18.145	62.296
3	3.524	8.010	70.306	3.524	8.010	70.306
4	2.447	5.561	75.867	2.447	5.561	75.867
5	2.421	5.502	81.369	2.421	5.502	81.369
6	1.568	3.563	84.932	1.568	3.563	84.932

Extraction Method: Principal Component Analysis.

From the table 4.3 above, and through application of Principal Component Analysis, 6 components were extracted. The initial Eigen values showed that the first factor explained 44.151% of the variance, the second factor 18.145 % of the variance, the third factor 8.010% of the variance, the fourth (5.561%), the fifth (5.502%), the sixth (3.563%). Other factors had Eigen values of below one and were deemed insignificant for the analysis.

The six factors address and relate to issues of concern on which this research is based. This is indicative that there is a strong relationship (as shown by factor loadings  $>0.55$ ) among the grouping of the factors. It is suggested that where the correlation is too small it is unlikely that the items have some property in common. Factor labeling could be subjective, although it is noted that success items with the largest values provide the flavour of the factor for labeling purposes (Nunes, 2002). In the current study however, an analysis of the loaded variables provided clarity on the factor label as some of the variables ‘hanging together’ provided conceptual meaning to the factors. High value loaded factor items thus indicated the factor structure and were used for labeling or naming the factors in this study (Nunes, 2002).

#### **4.4.1 Factor Rotation**

Through Principal component Analysis, the factors were rotated through Varimax with Kaiser Normalization method. The aim here is to ease the interpretation created if the variables have high loadings on the most vital factors. Rotation helps to identify the activities that make up various factors. From the findings the rotations converged at 6 iteration.

**Table 4.3: Rotated Component Factor Analysis**

Rotated Component Factor Analysis	Components			
	1	2	3	4
Employees would be willing to participate in developing a new performance appraisal system	0.772			
Participation of employees in the development of performance standards leads to a better performance appraisal instrument	0.74			
I would prefer my performance to be evaluated by an instrument developed and designed with the help of employees.	0.739			
Employee participation lead to development of reliable, valid, fair and useful performance standards.	0.644			
Employee participation should be enhanced during designing the rating format and measurement scales	0.634			
The performance feedback I receive is helpful in improving my on-the –job Performance and in attaining my goals.		0.61		
Employees receive regular and timely performance feedback beside the annual performance review		0.772		
The information provided by supervisors during performance feedback is accurate		0.688		
The information provided by supervisor during performance feedback is sufficiently detailed		0.687		
Level of involvement in my performance evaluation is adequate		0.662		
Raters have necessary skills in performance assessment.			0.76	
Raters need more training in conducting performance appraisal interviews			0.739	
Raters provide useful feedback concerning training during performance appraisal			0.674	
Raters are able to use the appraisal instrument as intended			0.66	
Training and evaluation ensures that appraisal performed in a similar and consistent manner throughout the organization			0.64	
I feel comfortable with the rating scales used to evaluate performance				0.804
I feel that the scales allow an accurate assessment of different dimensions of				0.738

performance				
The existing form is easy to use				0.723
I am motivated to correctly evaluate employees` behaviour.				0.71
I regularly record incidents of good/poor behaviour relevant for the performance evaluation of employees				0.700
I feel I have enough information regarding performance standards to make accurate judgments about employees on each performance dimension				0.680

*Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.*

Table 4.4 above, presents four out of the 6 components extracted. Employees would be willing to participate in developing a new performance appraisal system had the highest coefficient of 0.772 for the first component. Employees receive regular and timely performance feedback beside the annual performance review statement had a coefficient of 0.772 as well for the second component. In addition, Raters have necessary skills in performance assessment statement had a high coefficient of 0.76 for the third component. On the other hand, comfort with the rating scales used to evaluate performance statement had a high score of 0.804.

**Table 4.4: Rotated Component Matrix**

Rotated Component Factor Analysis	Component	
	5	6
The supervisor possesses adequate knowledge and training to properly implement performance evaluation	0.838	
The supervisor utilizes the evaluation system to assess performance objectively and without bias	0.731	
There is cordial communication between the rater and the ratee	0.704	
The supervisor takes the performance appraisal procedure seriously	0.677	
knowledge and attitude influence the appraisal process		0.723
Knowledge enhances fairness and rating accuracy		0.715
Employee Knowledge has positive effects of due process on appraisal outcomes		0.702
Employee knowledge improves their understanding of performance objectives and acceptance of those objectives		0.616

*Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.*

Table 4.5 above presents the rest 2 out of the 6 components which were extracted. The supervisor possesses adequate knowledge and training to properly implement performance evaluation statement had the highest coefficient of 0.838 for the fifth component while knowledge and attitude influence the appraisal process had a high coefficient of 0.723 for the sixth component.

#### **4.4.2 Isolation of Activities for Each Factor**

This technique is based on the factor loadings, which are a correlation between the factors and perception of the performance appraisal process. Table 4.6 below shows the factors affecting employees' perception of performance appraisal based on a minimum correlation of 0.4.

**Table 4.5: Isolation of activities for each factor**

Factor	Variables
1	<p>Employees would be willing to participate in developing a new performance appraisal system</p> <p>Participation of employees in the development of performance standards leads to a better performance appraisal instrument</p> <p>I would prefer my performance to be evaluated by an instrument developed and designed with the help of employees.</p> <p>Employee participation lead to development of reliable, valid, fair and useful performance standards.</p> <p>Employee participation should be enhanced during designing the rating format and measurement scales</p>
2	<p>The performance feedback I receive is helpful in improving my on-the -job performance and in attaining my goals.</p> <p>Employees receive regular and timely performance feedback beside the annual performance review</p> <p>The information provided by supervisors during performance feedback is accurate</p> <p>The information provided by supervisor during performance feedback is sufficiently detailed</p> <p>Level of involvement in my performance evaluation is adequate</p>
3	<p>Raters have necessary skills in performance assessment.</p> <p>Raters need more training in conducting performance appraisal interviews</p> <p>Raters provide useful feedback concerning training during performance appraisal</p> <p>Raters are able to use the appraisal instrument as intended</p> <p>Training and evaluation ensures that appraisal performed in a similar and consistent manner throughout the organization</p>

4	<p>I feel comfortable with the rating scales used to evaluate performance</p> <p>I feel that the scales allow an accurate assessment of different dimensions of performance</p> <p>The existing form is easy to use</p> <p>I am motivated to correctly evaluate employees` behaviour.</p> <p>I regularly record incidents of good/poor behaviour relevant for the performance evaluation of employees</p> <p>I feel I have enough information regarding performance standards to make accurate judgments about employees on each performance dimension</p>
5	<p>The supervisor possesses adequate knowledge and training to properly implement performance evaluation</p> <p>The supervisor utilizes the evaluation system to assess performance objectively and without bias</p> <p>There is cordial communication between the rater and the ratee</p> <p>The supervisor takes the performance appraisal procedure seriously</p>
6	<p>knowledge and attitude influence the appraisal process</p> <p>Knowledge enhances fairness and rating accuracy</p> <p>Employee Knowledge has positive effects of due process on appraisal outcomes</p> <p>Employee knowledge improves their understanding of performance objectives and acceptance of those objectives</p>

#### 4.4.3 Employee Participation

Employee participation in several aspects of the appraisal process is important because it has the potential to mitigate many of the dysfunctions of traditional performance appraisal systems as well as to engender a more human and ethical human resource management decision-making process.

According to the findings, there are several aspects of employee participation that influences their perception of performance appraisal as follows; employees willingness to



participate in developing a new performance appraisal system, participation of employees in the development of performance standards, preference of performance evaluated by an instrument developed and designed with the help of employees; lead to development of reliable, valid, fair and useful performance standards; as well as participation enhancement during designing the rating format and measurement scales.

According to the findings, there are several aspects of employee participation in the performance appraisal process that influences their perception of the process at National Housing Corporation as follows; employees' willingness to participate in developing a new performance appraisal system, participation of employees in the development of performance standards. Roberts (2003) proposes genuine employee participation in several aspects of the appraisal process because it has the potential to mitigate many of the dysfunctions of traditional performance appraisal systems as well as to engender a more human and ethical human resource management decision-making process. Participation leads to development of reliable, valid, fair and useful performance standards as well as in designing the rating format and measurement scales. Dobbins, et al (1990), reported that appraisal fairness was found to have strong positive correlations with the level of two-way communication.

#### **4.4.4 Performance Feedback**

Giving feedback to the employee generally aims at improving performance effectiveness through stimulating behavioural change. Thus, the manner in which employees receive feedback on their job performance is a major factor in determining the success of the performance appraisal system. Several aspects of performance feedback were evident as

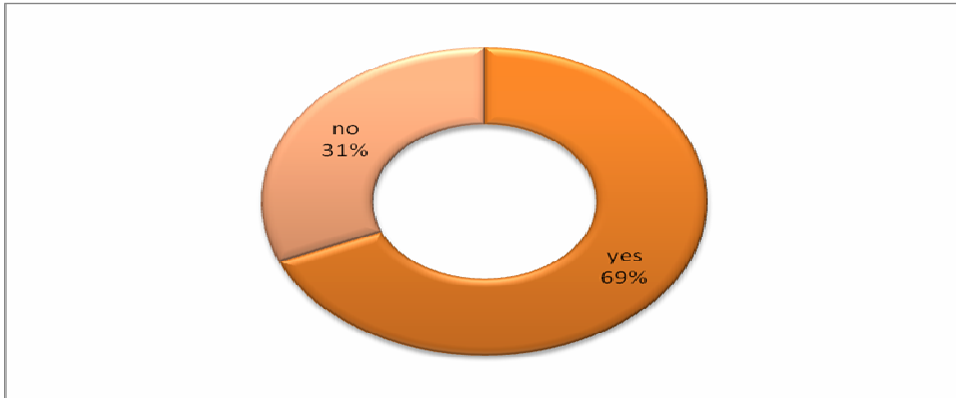
follows; the performance feedback is helpful in improving on-the –job performance and in attaining goals; employees receive regular and timely performance feedback beside the annual performance review; the information provided by supervisors during performance feedback is accurate; the information by supervisor is sufficiently detailed; level of involvement in performance evaluation is adequate.

From the findings, several aspects performance feedback were evident as follows; the performance feedback is helpful in improving on-the –job performance and in attaining goals; employees receive regular and timely performance feedback beside the annual performance review. Davis and Landa (1999) argue that practice of informal and regular communication between a supervisor and an employee are far more desirable and effective than a formal performance appraisal process. From the findings, the information provided by supervisors during performance feedback is accurate, the information by supervisor is sufficiently detailed and the level of involvement in performance evaluation is adequate. Tziner et al (1992) proved that when performance feedback is precise and timely it may result in behaviour change, even though job behaviours are generally difficult to modify.

#### **4.4.5 Training**

A major aspect of developing an effective performance system is training for those individuals involved as raters. The researcher therefore tried to determine whether National Housing Corporation undertakes staff training.

**Figure4.3: National Housing Corporation staff training**



From figure 4.3 above, only 69% respondents indicated that they were trained and/or coached before their first appraisal sessions while 31% indicated that they were not trained and had to use their own ideas to go through their first appraisals. It could mean that inductions are not conducted before employees' first ever appraisals. Respondents indicated that training was very minimal and the trainees' selection criterion was unknown with the same group of people being trained all the time. They also indicated that requests for training by the staff were ignored and no feedback was given (a frequency level of 4). The study also established that the reasons for lack of staff training were attributed to: the Corporation's policy which stated that one trains themselves and claims a 50% refund of the cost, the Corporation's lack of funds for training, unwillingness by the Corporation's Management, and insensitivity of the Human Resources section.

An employee's current and future employment prospects can be heavily influenced by their supervisor's evaluation of their performance. Several aspects were apparent; Raters have necessary skills in performance assessment; Raters need more training in conducting performance appraisal interviews; Raters provide useful feedback concerning

training during performance appraisal; Raters are able to use the appraisal instrument as intended; Training and evaluation ensures that appraisal performed in a similar and consistent manner throughout the organization.

From the findings 69% respondents indicated that they were trained and/or coached before their first appraisal sessions Tziner and Kopelman (2002) state that extensive training is necessary for errors in appraisal process. In addition, several aspects were apparent; Raters have necessary skills in performance assessment; Raters need more training in conducting performance appraisal interviews. Harris (1988) pointed at the necessity of training: continued training is needed in areas such as goal-setting and monitoring performance on a frequent basis, and personal and interactional skills.

#### **4.4.6 Appraisal Rating Techniques and Accuracy of Rating**

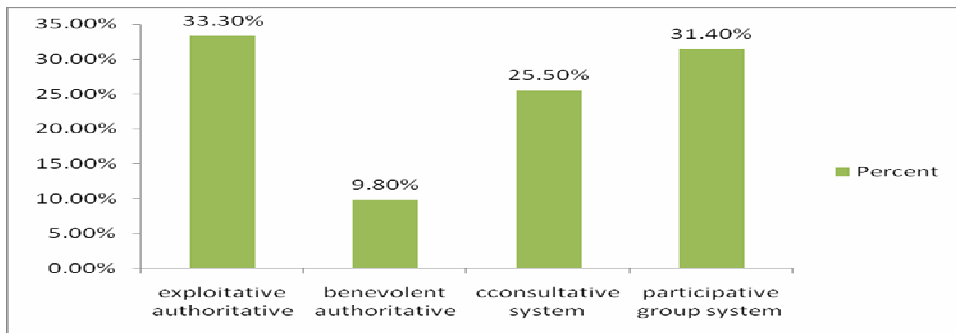
The accuracy of ratings is determined by the reliability and validity of the measurement technique. The study sought to determine the rating techniques used by National Housing Corporation in performance appraisal and their accuracy by having the respondents rate a series of statements on the same. The findings from factor analysis provides several aspects that were significant; employees are comfortable with the rating scales used to evaluate performance; the scales allow an accurate assessment of different dimensions of performance; the existing form is easy to use; employees are motivated to correctly evaluate employees` behaviour; employees regularly record incidents of good/poor behaviour relevant for the performance evaluation while employees feel they have enough information regarding performance standards to make accurate judgments about employees on each performance dimension.

Based on the rating techniques, the findings from factor analysis provided several aspects that were significant; employees are comfortable with the rating scales used to evaluate performance; the scales allow an accurate assessment of different dimensions of performance; the existing form is easy to use; employees are motivated to correctly evaluate employees` behaviour. Tziner and Kopelman (2002) found behaviourally anchored rating scale to be less susceptible than graphic rating scale to both halo and leniency effects. From the findings, employees regularly record incidents of good/poor behaviour relevant for the performance evaluation while employees feel they have enough information regarding performance standards to make accurate judgments about employees on each performance dimension. The most common way for a rater to express a judgment of a ratee`s job performance is with a graphic rating scale. Such scales provide a continuum from high to low performance levels concerning an overall performance or specific performance dimensions (Berry, 2003).

#### **4.4.7 The Supervisor**

Supervisors are pivotal in performance appraisal as they are generally responsible for setting performance objectives, providing formal and informal feedback, and the overall rating of the employees` performance. The study sought to find out the respondents` perception of the supervisory styles at the National Housing Corporation.

**Figure4.4: Supervisory styles**



Most of the respondents (33.3%) said NHC's supervisory styles were exploitative authoritative, 31.4% said it was participative group system, 25.5% said it was a consultative system, while 9.8% said it was benevolent authoritative. The findings indicate that majority of the respondents deem NHC's supervisory style as friendly and authoritative, positively influencing perception of the performance appraisal process. From factor analysis, the supervisor possesses adequate knowledge and training to properly implement performance evaluation; utilizes the evaluation system to assess performance objectively and without bias; there is cordial communication between the rater and the ratee; while the supervisor takes the performance appraisal procedure seriously.

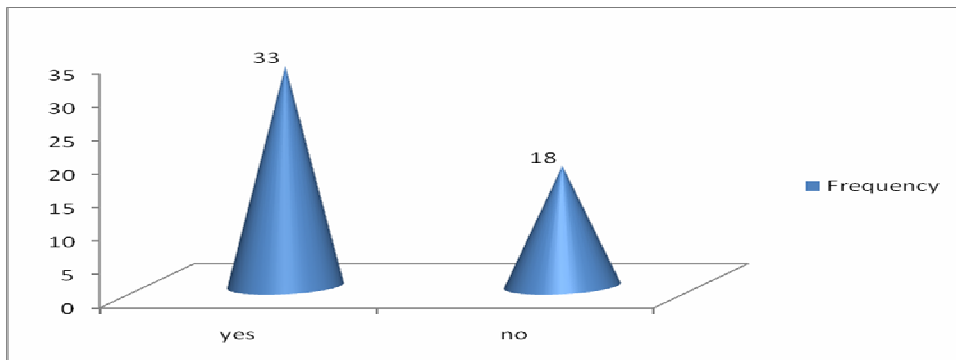
Most of the respondents (33.3%) said NHC's supervisory styles were exploitative authoritative, 31.4% said it was participative group system, 25.5% said it was a consultative system, while 9.8% said it was benevolent authoritative. The findings of Greenberg (2006), identified the ability of a supervisor to make an accurate evaluation of a subordinate's performance as an important influence on fairness perceptions. From the factor analysis, the supervisors possess adequate knowledge and training to properly implement performance evaluation; utilizes the evaluation system to assess performance

objectively and without bias; there is cordial communication between the rater and the ratee; the supervisor takes the performance appraisal procedure seriously. The findings of Greenberg (2006) identified the ability of a supervisor to make an accurate evaluation of a subordinate's performance as an important influence on fairness perceptions.

#### 4.4.8 Employees Awareness of Performance Appraisal process

Awareness of the performance appraisal process is a significant and positive influence on fairness perceptions. The researcher therefore sought to examine national Housing corporation's employees' awareness of the performance appraisal process.

**Figure 4.5: Awareness of Performance Appraisal process**



According to the findings, majority of the respondents (33) were aware of the appraisal process and why it takes place whereas 18 were not. Accordingly, if employees are not aware of how this is done, they would not accept its outcomes and hence the system would fail to achieve needed results.

The researcher found out that the reasons why some respondents were not aware of why the appraisal process takes place was; because they fill the forms without discussing it with the appraisers, they don't understand its essence, they see it as a routine, lack of working procedures, it is done for formality purposes as there is no feedback and because

they feel that nothing is gained from it. From the factor analysis results, knowledge and attitude influence the appraisal process knowledge enhances fairness and rating accuracy; employee knowledge has positive effects of due process on appraisal outcomes and employee knowledge improves their understanding of performance objectives and acceptance of those objectives.

According to the findings, majority of the respondents (33) were aware of the appraisal process and why it took place at National Housing Corporation. Levy and Williams (1998), perceived system knowledge as an understanding of the objectives and operation of the appraisal system as well as the overall goal of the performance appraisal process. From the factor analysis results, knowledge and attitude influence perception of the appraisal process. Knowledge enhances fairness and rating accuracy; employee knowledge has positive effects of due process on appraisal outcomes and employee knowledge improves their understanding of performance objectives and acceptance of those objectives. Erdogan et al., (2001), supported the positive effects of due process on appraisal outcomes. Specifically, they found that elements of due process (knowledge of criteria and fair hearing) were differentially related to system and rater procedural justice perception. This study therefore confirms that employee participation, performance feedback, staff training, performance appraisal rating techniques and accuracy, the supervisor, employee knowledge and skills influence employee's perception of the performance appraisal process. However based on the coefficient scores, performance appraisal rating techniques and accuracy, the supervisor, employee knowledge and skills seem to influence employee's perception of the performance appraisal process more than the others (employee participation, performance feedback and staff training,).



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

## **5.1 Introduction**

This chapter presents the summary of the data findings on the factors affecting employees' perception of the performance appraisal process at National Housing Corporation. It also gives conclusions and recommendations drawn from the findings. The chapter is therefore structured into summary of findings, conclusions, recommendations and area for further research.

## **5.2 Summary of the Findings**

The study found out that National Housing Corporation has a performance appraisal system which was deemed to be effective though it requires improvements. From the findings, most of the respondents agreed that employee participation should be enhanced during designing of performance appraisal rating format and measurement scales. They would prefer performance to be evaluated by an instrument developed by employees for reliable, valid, fair and useful performance standards and that participation of employees in the development of performance standard leads to a better performance appraisal system. It was established that respondents felt that during the performance feedback process, it was possible to discuss work-related issues with the supervisor and that the performance feedback received was helpful in improving on-the-job performance.

In regard to training, it was established that at National Housing Corporation raters needed more training in conducting performance appraisal interviews. Further, the existing appraisal process was relatively easy to use and that the length was considered to

be moderate with room for improvement. In addition, the supervisory styles at National Housing Corporation were found to be friendly and authoritative, positively influencing perception of the performance appraisal process. Majority of the respondents were aware of why the appraisal process takes place. The study established that knowledge and skills influenced the appraisal process; thus, employee knowledge improved their understanding of performance objectives and acceptance of those objectives and that individual high on openness preferred control of their own work.

### **5.3 Conclusions**

Performance Appraisal, which forms the basis of performance development, is good for an organization such as National Housing Corporation. To a large extent it helps to measure the performance of employees, based on setting of SMART objectives. Most employees were of the view that performance appraisal should be directly linked to reward such as selection for interview, promotion and bonus payments, and salary grades which is not the case at the National Housing Corporation.

Clear, measurable and realistic targets need to be set for employees as basis for appraisals. Employees' participation during designing of the rating format and measurement scales is also crucial as it leads to development of reliable, valid, fair and useful performance standards. To this end the study found that employees were willing to participate in developing a new performance appraisal system. The study concluded that discussions on work-related issues with the supervisor were existent, and that the performance feedback received is helpful in improving on-the-job performance and in attaining goals. Employee knowledge and skills were found to influence the appraisal process as it improves their understanding of performance objectives and acceptance of

those objectives. In addition, knowledge enhances fairness and rating accuracy in raters and also has positive effects on appraisal outcomes.

#### **5.4 Recommendations**

On the basis of the findings that have been established and conclusion drawn from the study, the following recommendations were made:

Communication between team leaders and their team members on work performance need to be improved. This will ensure that individuals understand how they are assessed and feel that the process is fair and objective. It will also ensure that team leaders give truly differentiated performance ratings based on an objective review of performance plans. Since what is practiced does not seem to conform strictly to processes and procedures, Management needs to set up a monitoring system to ensure that due process is followed by both team leaders and team members, ensuring that measures are put in place for effective performance reviews.

The current method of rewarding employees should be reviewed so that at least a minimum bonus is given to good performers to ensure motivation. A satisfied employee is well motivated towards work and would contribute greatly towards working to achieve the overall goals of the organization. Supervisors and raters, who conduct the appraisals or the review interviews, need to be equipped with the idea of motivating employees through the performance appraisal system. Performance appraisal should be made a continuous process and not only mentioned when it is time for quarterly reviews or appraisals. Too much emphasis should not be placed on the appraisal interview but rather on the on-going performance development or performance management process.

Methods of helping poor performers to improve such as counseling, and change of role as well as transfers should be put in place or strengthened, if in existence already.

### **5.5 Limitations of this Study**

This research was limited to factors affecting employees' perception of the performance appraisal process in National Housing Corporation. Key respondents in senior and middle management were not available to complete questionnaires; hence most of the respondents were in junior management levels, operatives and clerical staff. In addition, some of the junior staffs may have had challenges in understanding the questionnaires. There were also delays in submitting field questionnaires by respondents while others completely failed to return questionnaires. This led to delays in data compilation.

### **5.6 Suggestions for Future Research**

There is an opportunity for a similar study on factors affecting employee's perception of the performance appraisal process. Such study should focus on all state Corporations in Kenya. This is particularly important because performance appraisal as a concept is relatively new and there is need to make it effective as opposed to being a routine process. If done correctly, performance management will help state Corporations to be competitive in their different environments.

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# APPENDICES

## Appendix I: Letter of introduction



**UNIVERSITY OF NAIROBI**  
**SCHOOL OF BUSINESS**  
**MBA PROGRAMME**

Telephone: 020-2059162  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsity

P.O. Box 30197  
Nairobi, Kenya

DATE..14/09/2013

### TO WHOM IT MAY CONCERN

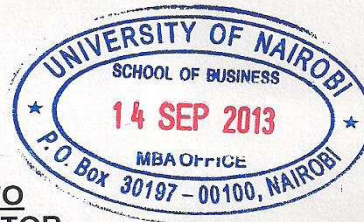
The bearer of this letter ..BEATRICE ACHIENGI ONYANGO  
Registration No. D61/72561/2013

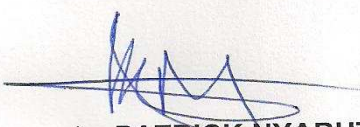
is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.



  
**PATRICK NYABUTO**  
**MBA ADMINISTRATOR**  
**SCHOOL OF BUSINESS**

## Appendix II: Questionnaire

I'm a postgraduate student undertaking a Master of Business Administration (MBA) degree at the school of business, University of Nairobi. I am currently carrying out a research on "Factors affecting employees' perception of the performance appraisal process at national Housing Corporation. The information will be used exclusively for academic purposes.

### Section A. General Information

1. Gender

Male

Female

2. Designation:.....

3. For how long have you worked at National Housing Corporation?

Less than 2 years  between 2-4years

Between 5-7 years  Over 7 years

### Section B. Performance Appraisal

Appraisal practices often include formal review and feedback sessions, and may include procedures for establishing work objectives, conducting self-appraisals, and setting performance goals

1. Does National Housing Corporation have performance appraisal system?

Yes  No

2. How would you rate the effectiveness of performance appraisal?

Very high [ ] High [ ] Moderate [ ]  
 Low [ ] Negligible [ ]

**Section C. Factors affecting employees’ perception of the performance appraisal process**

3. Indicate the level of your agreement with the following statement concerning Employee participation in performance appraisal. Where 1=strongly disagree, 2=disagree, 3= Neutral, 4= agree, and 5= strongly agree.

<b>Employee participation</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
Employees would be willing to participate in developing a new performance appraisal system.					
Participation of employees in the development of performance standards leads to a better performance appraisal instrument.					
I would prefer my performance to be evaluated by an instrument developed and designed with the help of employees.					
Employee participation lead to development of reliable, valid, fair and useful performance standards.					
Employee participation should be enhanced during designing the rating format and measurement scales.					

## Performance feedback

4. Indicate the level of your agreement with the following statement concerning performance feedback in performance appraisal. Where 1=strongly disagree, 2=disagree, 3= Neutral, 4= agree, and 5= strongly agree.

<b>Performance feedback</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
The performance feedback I receive is helpful in improving my on-the-job Performance and in attaining my goals.					
Employees receive regular and timely performance feedback beside the annual performance review.					
The information provided by supervisors during performance feedback is accurate					
The information provided by supervisor during performance feedback is sufficiently detailed					
I am satisfied with my performance feedback.					
Throughout my performance feedback I feel that I have the possibility to discuss work-related issues with the supervisor.					
Level of involvement in my performance evaluation is adequate					

**Staff Training**

5. Does National Housing Corporation train its staff?

Yes

[ ]

No

[ ]

i. If no, why.....  
 .....  
 .....

6. Please indicate the level of your agreement with the following statement concerning training and performance appraisal. Where 1=strongly disagree, 2= disagree, 3= Neutral, 4= agree, and 5= strongly agree.

	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
Raters have necessary skills in performance assessment.					
Raters need more training in conducting performance appraisal interviews					
Raters provide useful feedback concerning training during performance appraisal					
Raters are able to use the appraisal instrument as intended					
Raters' appraisal skills are regularly refreshed and updated through training					
Training and evaluation ensures that appraisal performed in a similar and consistent manner throughout the organization					

## Rating techniques and accuracy

7. Please indicate the level of your agreement with the following statement concerning training and performance appraisal. Where 1=strongly disagree, 2=disagree, 3= Neutral, 4= agree, and 5= strongly agree.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
I feel comfortable with the rating scales used to evaluate performance					
I feel that the scales allow an accurate assessment of different dimensions of performance					
The existing form is too complex					
The existing form is too long					
The existing form is easy to use					
<b>Rating accuracy</b>					
I am motivated to correctly evaluate employees` behaviour.					
I regularly record incidents of good/poor behaviour relevant for the performance evaluation of employees					
I have sufficient opportunity to observe the employees I evaluate					
I feel I have enough information regarding performance standards to make accurate judgments about employees on each performance dimension					



## The Supervisor

8. According to you which one of the following supervisory styles do you think is attributed to NHC?

- Exploitative-authoritative [ ]  
 Benevolent- authoritative [ ]  
 Consultative system [ ]  
 Participative- group system [ ]

9. The supervisor has a role to play in ensuring that all the employees have a uniform high quality performance appraisal. Please indicate the level of agreement with the following statements. Where 1=strongly disagree, 2=disagree, 3= Neutral, 4= agree, and 5= strongly agree.

	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
The supervisor possesses adequate knowledge and training to properly implement performance evaluation					
The supervisor utilizes the evaluation system to assess performance objectively and without bias					
There is cordial communication between the rater and the ratee.					
The supervisor is ethical in how he/she					

scores performance.					
The supervisor takes the performance appraisal procedure seriously.					

**Employee Knowledge and Skills**

10. In your own opinion, do you think that the employees in National Housing are aware of why the appraisal takes place?

Yes [ ] No [ ]

i. If no, why.....  
 .....  
 .....

11. To what extent do you agree with the following statement about employee Knowledge on appraisal? Where 1=strongly disagree, 2= disagree, 3= Neutral, 4= agree, and 5= strongly agree.

	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
knowledge and attitude influence the appraisal process					
Knowledge enhances fairness and rating accuracy					
Employee Knowledge has positive effects of due process on appraisal outcomes					
Employee knowledge improves their					

understanding of performance objectives and acceptance of those objectives					
Individuals high on openness prefer control of their own work					

12. In your own opinion what other factor affect performance evaluation in National Housing Corporation?

.....

.....

.....

**Thank you for your cooperation.**