

**EFFECT OF PERFORMANCE APPRAISAL ON EMPLOYEE MOTIVATION:
THE CASE OF THE NATIONAL HOUSING CORPORATION**

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C51/74681/2014

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF
PUBLIC ADMINISTRATION, DEPARTMENT OF POLITICAL SCIENCE AND
PUBLIC ADMINISTRATION, UNIVERSITY OF NAIROBI**

November, 2018

DECLARATION

I declare that this research project is my original work and has not been presented in any other university or institution for academic credit.

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

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ABBREVIATIONS/ACRONYMS

HR	Human Resource
MBO	Management by objectives
NGO	Non-governmental organizations
NPM	New public management
OECD	Organization for Economic co-operation and Development
PA	Performance Appraisal
SPSS	Statistical Package for Social Sciences
NHC	National Housing Corporation

ACKNOWLEDGMENTS

I wish to acknowledge the people who have contributed to make this project a reality and all their support through the research process.

I am indebted to my supervisor Dr. Justine Magutu for her advice, critique and unwavering support during the development and writing of this project.

I appreciate the Management of NHC for allowing me to use their organization as a study site. Many thanks to every staff who contributed to this research. Special thanks to Betsy Sambai who reviewed the tools for data collection and did the data analysis.

Lastly, I wish to acknowledge all my friends who have contributed immensely in my MPA program. You have been of great support!

DEDICATION

I dedicate this work to my loving parents Mr & Mrs. Ndegwa and to all my siblings; Ann, George, Virginia, Grace & Rosemary.

ABSTRACT

Performance appraisal is a significant component of human resource management and very vital part that influences efficiency and effectiveness of both employee and the organization. Hence the necessity for organizations to continually measure and evaluate employee performance through PA. The general objective of this research was to examine the effects of PA on employee motivation at the NHC. The study was guided by the following specific objectives: to determine the extent to which employees at NHC perceive the PA system as fair; to establish whether the employees at NHC receive clear feedback on PA; to determine how feedback obtained from PA process is used to motivate employees; and to establish how the management can improve the appraisal process to motivate employees. Stratified random sampling was used to select a sample of 50 respondents from a target population of 221 employees. The analysis was done using Statistical Package for Social Sciences (SPSS). It was established that PA process is essential for employee motivation at NHC. Employees of NHC perceived PA as a process that was conducted fairly and in turn enhanced motivation. Performance feedback received by the employees of NHC significantly motivates employees and consequently boosted overall productivity of the organization. The study also established that the use of PA results was not sufficiently used and the organization needed to employ more strategies of maximizing the use of results from the PA. Finally, the study established that the PA would be more effective if conducted on a regular basis.

CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.1 Background to the Study

There is a common realization by organizations that without effective performance from employees, they cannot achieve their goals and objectives (Brudan, 2010). This has led organizations to embrace performance management practices in human resource management systems. Performance management is a planned process for improving and maintaining productivity in an organization by increasing the skills of teams and the individual employees (Armstrong & Baron, 2005). Performance management is the practice of providing a work setting in which employees are assisted and facilitated to perform to the best of their abilities (Ferreira & Otley, 2009). Performance management has also been defined as a practice by which supervisors and workers work as a team to plan, to check the progress and evaluate an employee's set targets against the performance (Noe, Hollenbeck, Gerhart & Wright, 2006). The objective of performance management is to build an organizational culture that matches individual employee goals and the organization's strategic objectives (Armstrong & Baron, 1998).

A major component of a performance management system is performance appraisal (PA) also known as performance review. PA is the process of setting standards, assessing employee performance against the set standards, giving employee feedback on their performance and making plans for performance improvement (Byars & Rue, 2000). This exercise is usually conducted on regular basis-six months to one year but the period can vary depending on the purpose (Greenhaus, Parasuraman & Wormley, 1990). Many organizations have accepted PA as an instrument for measuring and managing employee performance (Murphy & Cleveland, 1991). Boxall and Purcell (2003) have opined that the objective of PA is not only to measure and manage employee performance but to integrate it to the organization's overall goals. According to Longenecker and Goff (1992), many managers and human resource practitioners have embraced PA because they believe it has influenced performance of workers in a good way.

Although there is some contention by researchers and practitioners on the importance of PA, there is a general agreement that it motivates employees to improve their performance in the future and presents jobs (Cleveland, Murphy & William, 1989).

Results of the PA process may be used by management in deciding which employees to promote, give salary increment, transfer or train. In the process of appraising performance, an employee's strengths and weakness are identified and discussed in relation to commendation or to areas of improvement. Communication improves significantly due to regular contact between the employee and the supervisor as they discuss performance. According to (Coens & Jenkins, 2000), a PA system can provide the organisation and the employee with many benefits including increased productivity and hence higher returns.

A major benefit of PA is that if well executed they can motivate employees to perform better. PA is therefore fundamental in the motivation of the employees. Motivation may be understood as the process that drives, boosts, guides and strengthen behavior (Mitchell, 1982) According to Robbins (1993), motivation is the willingness of an employee to exert high levels of effort towards organizational goals while at the same time trying to satisfy individual needs. (Hellriegel, Slocum, & Woodman, 1998) define motivation as the energy that makes a person to act in a certain way to achieve objectives of set target. Employee motivation is a core function in establishing organizational performance. Therefore, every manager in the organization has to make efforts to encourage subordinates to the right type of behavior because performance of human beings is dependent on the ability embedded in motivation. Motivation is crucial because it inspires employees to work, thus increasing performance in the organization (Honore, 2009). It enables best utilization of resources, increased rate of output and quality, reduction in labor problems that leads to industrial courts and reduced turnover among the employees (Honore, 2009)

Good performance and efficient service delivery is currently required of all public organizations especially in developing economies. Indeed, performance management has been crucial in the reform of the public sector in recent years (Gianakis, 2002). In pursuit of improved service delivery within the public sector, New Public Management (NPM) stresses the need for public organizations to borrow some of the private sector management practices (Balogun, 2003). Consequently, Kenya introduced performance contracting as a performance measurement tool to improve service delivery and to lay focus towards business, customer and results. Performance contract (PC) is a written agreement negotiated between government, organization and individuals on one hand and

the agency itself (local authority, state corporation or central government ministry) providing amenities to the public. In Kenya, specific deliverables are outlined and agreed at the beginning of each financial year (July to June) and measured against the same. At the individual level performance appraisals are thus used to meet performance contract; they define expectations in terms of what each individual is expected to achieve in respect of the entire organization (Kenya, Sensitization Training Manual, 2004).

Currently performance appraisals are widely used by many organizations in Kenya including private, non-governmental organizations (NGO) and even Public Corporations like National Housing Corporation NHC, which is the focus of this study. NHC is a statutory body established by an Act of Parliament Cap. 117. Its primary mandate is implementing the Government of Kenya housing policies and programs. It was established in 1953 as a Central Housing Board under the colonial government but later as a statutory body in 1967. NHC has its headquarters in Nairobi NHC building along Aga Khan Walk but has branches in Mombasa, Eldoret and Kisumu.

The role of NHC is particularly important in view of the fact that affordable housing is one part of economic development for the country. Its vision is ‘a decently housed nation’ and its mission is to play a leading role in efficient provision of adequate and affordable housing and related services (www.nhckenyaco.ke). The corporation facilitates development of houses in rural and peri-urban areas. Besides the provision of housing, the NHC plays an important role growth and development in various parts of Kenya by availing employment opportunities to the persons engaged in the constructions, forging partnership with stakeholders in housing development, mobilizing capital for housing development and undertake research and development (R&D) in housing (www.nhckenyaco.ke). NHC also provides various products like: houses for direct sale to Kenyans for example those at Kileleshwa, Nairobi west, Kiambu, Makadara, Kakamega; tenants purchase-housing scheme that includes Buruburu, Mamboleo, Lang’ata flats; rural and peri urban housing loans; and rental houses such as Sadi road estate, Woodley, Changanwe. The corporation's mission can only be achieved through the high performance of motivated employees in the organization. The level of employee performance can only be determined through effective performance appraisal through which the organization continually reviews employee performance with the objective of eliminating performance deficiencies and to encourage better performance.

1.2 Statement of the Problem

PA is a vital and indispensable human resource management tool. According to Murphy and Cleveland (1995), if properly used PA has many potential advantages such as deciding the remuneration, advancements, downgrading and allocations of employees. PAs are important in providing directions for career paths through the managers which may improve employee obligation and fulfillment in the organization. PA is also used to take stock of the skills and knowledge of employees and it communicates and appreciate level of performance to employees (Walsh, 2006).

According to(Yee & Chen, 2009), PA can act as a motivator by providing feedback on employees' performance; encouraging increased productivity; and reducing wastefulness. Through appraisal process, employee's get an opportunity to talk to the supervisor about issues that pertain to them and somewhat affect performance (Grote, 1996). In addition, it provides supervisors a chance to recognize skills gaps for necessary action. The most enthusiastic and productive workforce is the one that understand the value that the organization exerts on it through the achievement of organizational objectives. Motivated employees are likely to stick around with an organization thus increasing retention and reducing employee turnover which means that increased levels of employee satisfaction lead to increased productivity and profitability while the employee turnover can be contagious making other employees to explore other ways opportunities (Honore, 2009). An employee will feel motivated when she/he knows and feels that her performance has tangible effects on the overall objective of the organization (Pinder, 2014). Employees who are motivated take initiative and responsibility of developing action plans to reach the set goals.

However, despite the above emphasis on its importance and the fact that PA has been embraced and implemented at NHC since 2003, no formal evaluation has been done to determine the effect of performance appraisal on employee motivation. This is in spite of the fact that PA is administered annually at the end of each year. Although there have been several studies done on performance appraisal and employee motivation in Kenya (Kitoi, 2010; Kamiti, 2014; Onyango; 2013) there has not been any assessment or study conducted to investigate whether use of performance appraisal motivates employees at NHC. Therefore, this study seeks to fill this knowledge gap by establishing the effect of performance appraisal on employee motivation at NHC.

1.3 Research Questions

The main research question is: what is the effect of performance appraisal on employee motivation at NHC?

The specific research questions are:

- i. To what extent do employees at NHC perceive the performance appraisal system as fair?
- ii. To what extent do employees at NHC receive clear feedback on their performance appraisal?
- iii. How are the performance appraisal results used to motivate employees of NHC?
- iv. How can the management of NHC improve their performance appraisal process to motivate employees?

1.4 Objectives of the Study

The main objective of this study is to investigate the effect of performance appraisal on employee motivation at NHC.

1.4.1 Specific Objectives

The specific objectives of this study are:

- i. To determine the extent to which employees at NHC perceive the performance appraisal system as fair.
- ii. To establish whether employees at NHC receive clear feedback on their performance appraisal.
- iii. To determine how performance appraisal results are used to motivate employees of NHC.
- iv. To establish how the management of NHC can improve their performance appraisal process to motivate employees.

1.5 Justification of the Study

Since inception of the staff performance appraisal, NHC has not conducted review of the effectiveness of the process in terms of motivating its employees. This study will assist the NHC review performance appraisal process to boost staff motivation. With National Housing Corporation vision of a decently housed nation and whose mission is to play a

leading role in efficient provision of adequate and affordable housing and related services, this study will give insights on the best methods of performance appraisal and the preferred options on how often this will be done. It will also help to determine usability of the feedback generated from the appraisal process. It will help the management determine whether this process adds value to what employees do on day to day basis or it's a process in futility. This study will provide feedback on the gaps as a means of improving the motivation of staff, which will affect employee productivity.

This research will also help advice stakeholders and policy-makers on how best to evaluate employee performance and enhance the motivation of employees. The findings will help in setting deliberate ways of motivating and retaining the best talents in the public sector.

The study findings will also help to improve and add onto existing knowledge on performance appraisal and employee motivation in Kenya. The findings of the study will be cited in other studies and its finding and recommendations can be studied further and in other organizations.

1.6 Scope and Limitations of the study

The Study was carried out at National Housing Corporation headquartered in Nairobi. The researcher encountered some limitations in terms of the willingness of the members of staff, who participated in the study. Several members of staff were unwilling to fully cooperate as they felt that the study was interfering with their busy schedules and was additional work to them. Employees were not willing to give information voluntarily and especially information that touched on them and their supervisors for fear of victimization. Others expected some monetary compensation for time taken during the interviews and filling of the questionnaires. The researcher overcame the limitation by: explaining to the employees that the research was conducted for academic purpose only; assuring the participants that information provided would be handled in confidence; ensuring that the questionnaire was not unnecessarily long; and promising share the final report/results of the study with the organization.

1.7 Definition of Concepts

Feedback: Feedback is the practice of providing results of a deed (Business Dictionary). In this study feedback will be understood to mean communicating how employees are

doing in relation to the set targets and objectives.

Motivation: Motivation refers to the emotional practices that stimulate the way achievement is attained (Hom, Mitchell, Lee, & Griffeth, 2012). This study will use Hitt et al. (2009) definition which states that motivation is the manner in which employee actions are boosted, guided and followed to stand.

Performance Appraisal: Performance appraisal is a way of assessing and sharing with an employee on the outcome of their job performance and ideally creating a blue print for development (Lin, Horng, Chen, & Tsai, 2011). In this study performance appraisal is used to mean a prescribed method of determining and gauging workers' activities and results to ascertain current contribution and build future performance.

Performance Management: Performance management is a definite structure of achieving greater outcomes through active groups and employees (Armstrong & Baron, 2004). Fowler (1990) defines performance management as an approach that provides an opportunity for understanding broader organizational objectives, setting the deliverables and devising a way to achieve them. In this study performance management, will mean the process of setting performance goals, evaluating real time achievement against the stated goals, communicating outcome and reinforcing good performance.

Organizational justice: this is defined as the individual perception of honesty and fairness of the organization administration (Cropanzano, Bowen, & Gilliland, 2007). This will be used in this study to depict employee perceived fairness on the organization.

Procedural justice: this is considered as the awareness of the employees that the processes employed to evaluate their performance are fair (Greenberg, 1986). This will be used in this study to illustrate employee awareness of the PA process.

Distributive justice: this is understood to mean that the input is commensurate to the output of the employee (Greenberg, 1986). This will be used in the study to mean the input in terms of effort of employees is equivalent to the reward they receive in return.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the existing literature on the research subject. The chapter will be divided into the following sections: fairness of PA system; process of PA; Uses of PA, PA feedback; and the relationship between PA and employee motivation.

2.2 Fairness of performance Appraisal Systems

The practice of assessing performance of employees is a significant element for establishing organizational fairness. Organizational justice has been defined as individual perception of honesty and fairness of the organization administration (Cropanzano et al., 2007). Organizational justice has the potential to create benefits to both employees and the employer which includes greater commitment, improved job performance, improved customer satisfaction and reduced organizational conflict. In PA practice, there are two approaches that are used to determine whether PA system is fair or not and these are procedural and distributive justice. Procedural justice is the awareness of the employees that the processes employed to evaluate their performance are fair while distributive justice means that the input is commensurate to the output of the employee (Greenberg, 1986). Studies on perceived fairness or organizational justice have shown that these opinions influence how employees behave in an organization with regard to: work fulfillment, resignation ideas, dedication to organization, and organizational culture, such as failing to report to work (Colquitt, 2001).

Research also has shown that there is a relationship between supposed organizational fairness and employee work performance (Colquitt, Greenberg, & Zapata-Phelan, 2005). As discussed by Boswell and Boudreau (2000), the effectiveness of PA is determined by the opinions of the employees. If employees perceive that PA favors a particular kind of group and not everyone and that there is no relationship between the job itself and PA system, this makes the system very ineffective and frustrating (Cardy & Dobbins, 1994; Murphy & Cleveland, 1995).

A formal system of appraisal is helpful for employees if it is perceived as fair. For employees to embrace the system as fair, some conditions have to be met including: employees should have technical knowhow of the job; there should be a platform of

petitioning the feedback received; instruments used for the exercise should be applicable; and a way of handling the challenges as they occur should be devised. The environment where the PA is conducted should be accommodative rather than a situation where employees try to prove who is better than the other (Murphy & Cleveland, 1995; Landy *et al.*, 1978).

During review of performance, the supervisors should accord employees respect and impartiality. Confidence between both employee and the supervisor should exist if the process has to be effective (Korsgaard & Roberson, 1995). Using of the same PA instrument for employees in the same cadre in the organization enhances fairness of the appraisal process. At NHC it is not explicitly known what the perception of the employees in regard to the PA's fairness and hence this has informed this research.

2.3 Performance Appraisal feedback

Feedback is an important part of the PA system, which is mostly presented to the individual during and after the completion of the performance review. Performance feedback is the core function in PA process in organizations and there is no organization that can enhance productivity when the employees are not aware of how they are performing in relation to the set objectives of the organization. Therefore, the core function of performance feedback should be to better performance with aim of increasing quantity and quality of output from employee through motivation. It is therefore crucial to continually communicate the progress of employee performance that leads to complete employee growth (Nawaz, Jahanian, & Manzoor, 2012).

Performance feedback is valuable to both employee and the organization when is given in good time in that it helps in developing mechanisms of correcting performance where there is need when is still vivid and acceptable to the employees. This enhances better work development and employee attitudes (Taylor, Fisher, & Ilgen, 1984a). Structured performance appraisals helps employees to understand the perception the organization has on them and the value they hold in it (Murphy & Cleveland, 1995). PA are used for administrative decisions, such as promotions, salary increase, and termination, and also for developmental purposes. Feedback to employees could be the most important information about the PA system that employees receive in an organization about actual ratings that demonstrate appreciation, value, and future prospects within the organization. Employees who receive and accept their performance feedback are often assumed to be

positive and more objective which improves performance in the organization leading to increased productivity and when evaluations done does not come out as per the employees expectations and they reject them, they develop negative energy about reward possibilities (Smither, London, & Reilly, 2005)

According to Fletcher and Williams (1996), regular meetings should be conducted by employee and the supervisor for posterity. Continuous Communication to employees about the progress they are making in their area of expertise/operation is important as alluded by Longenecker (1997). Feedback on how the employee is performing in relation to their assignment is always valuable and contributes to an employee performing better. The response they get should be definite, sensible and measurable set targets agreed beforehand. Every employee is entitled to a progress report of the actions within their area of jurisdiction. People always judge themselves and in many instances they want to confirm their self judgements against that of others (Baumeister, 1999).

Many organizations fail to deliver PA results while they consistently perform the exercise and store the feedback in the organizational files under lock and key. PA process makes employees apprehensive of the outcome and when the organization chooses not to communicate the amount of time, effort and funds is deemed useless and may not develop positive work related attitudes (Taylor, Fisher, & Ilgen, 1984). Timely feedback is helpful to the employee and to the organization in order to achieve the intended purpose. To ensure that the PA process is not in futility at NHC this study will offer evidence on the importance of feedback on PA both to employees and to the management.

2.4 Uses of Performance Appraisal Results

PA is a tool that can be used to administer performance successfully, as it gives information, which feeds into other parts of the performance management process. If used for intended purpose, PA contribute to motivation, improved job performance and efficiency (Ojokuku, 2013). According to Mullins (2002), the core mandate of PA, is to improve performance of employee leading to profitability of the organization.

Mathis and Jackson (2008) condensed the uses of PA into two categories – managerial uses and developmental uses. In the managerial function, PA is used for determining employee salaries, promotion among others. While in developmental uses is focused on building and strengthening the capacity of employees and building their career paths.

Historically, performance appraisal was used as a basis for administrative actions in terms of deciding who should be promoted, terminated, who qualifies for a pay rise and so forth other factors notwithstanding. In the recent past the purpose for performing PA has expanded. According to Mac Gregory 1957, he recommended PA be used for feedback and developing the employees. Proponents of management by objectives (MBO) Peter Drucker (1990) suggested using PA as a tool for organization planning. PA has continued to be used for human resource planning and replacements. PA has also been used to safeguard organizations against discrimination law suits in employment. Other uses of PA are to improve current performance, identify training needs and set objectives (Murphy & Cleveland, 1995a).

PA results are used various ways to benefit the employee, the supervisor, and the organization (Cleveland, Murphy, & Williams, 1989). For the employee, PA serves a motivation for career progression by way of recognition, increased salaries, elevation, and challenging responsibilities. For the supervisor, PA serves to guide in functions like determining employees eligible for training, salary increment and termination. It also helps in determining attainment of organizational goals and creates an avenue for providing performance feedback to the employees. For the organization, PA provides performance measurement of individual employee and units. It also serves as a means of endorsing recruitment processes, ways of identifying and motivating employees, ways of measuring the effectiveness of intervention approaches like training (Riggio, 2017).

Performance appraisal therefore represents a structured way of monitoring employee performance and identifying ways of improving the performance and productivity of workers (Brown & Heywood, 2005). The study will help to establish the best way of using performance appraisal to motivate the employees and as a monitoring tool that will help the NHC to track progress and know when to change course.

2.5 Performance Appraisal and Employee Motivation

The reward system of many organizations depend on performance appraisals done by Managers. PA is the process of setting standards, assessing employee performance against the set standards, giving employee feedback on their performance and making plans for performance improvement (Byars & Rue, 2000). The evaluation of Performance is done to the employees with a view of motivating them and increasing commitment, which leads to higher productivity, and also with an intention of guiding the employee in

the right direction.

Motivating employees to perform better and increase productivity is not an easy job. In any organization, employees are either motivated by intrinsic or extrinsic needs, therefore it is the job of the supervisor to understand the composition of the employees and this is mostly possible through performance appraisal. The motive that employees have in doing work is different but important to understand. Managers believe that the PA has a positive and motivational effect on employees. It has been observed that after the evaluation the employees are motivated and try to set new goals and targets and improve performance where challenges exist (Karahana & Kurtulmus, n.d.)

Motivation is a pointer in organizations that operations and activities are heading to the right direction. A person's activities lead to maximizing returns that gives the organization a competitive edge in the market. Inspired and enthusiastic employees tend to be more focused and happy with achievements and thus they will spend most of their time in building up what makes them happy reducing labor turnover (Krietner, 1995). PA also entails capacity building through training by adding new knowledge and skills as a way of developing employees. When employees capacity is built by the organization, there is always an urge to pay back through improved and increased performance (Kuvaas, 2006)

2.6 Theoretical Framework

This study is anchored on the equity theory and expectancy theory of motivation.

2.6.1 Equity Theory

The Equity theory of motivation was first developed by Adams in 1965 and attempts to explain how a person's behavior may be influenced by their perception of equity. Adams (1965) discussed two major forms of equity: distributive equity, this is the perceived fairness by the employee in the ratio of efforts and remuneration received and in comparison with others; and procedural equity which encompasses the way employees perceive in terms of operationalization of procedures like performance appraisal, advancement and punishment is administered.

The Equity theory acknowledges that individuals are not only troubled by what they receive as complete reward package for their efforts but also by what other people receive in comparison to theirs. People tend to aggregate input in terms of their skills, experience

education and they compare this with the output in terms of salary they receive, recognition among other factors. When people sense that what they are putting in is not commensurate with what they receive in return there is a tension that develops. This tension acts as a drive for what is supposed to be fairness (Robbins, 1993).

According to (Carrell & Dittrich, 1978) there are three assumptions of equity theory. One is that people/employees hold beliefs of what they constitute to be equitable or fair return for their contribution/effort in the job. The second is that people/employees tend to compare what they have as exchange with the employer. The last one is that if people feel unfairly treated compared to others they will be motivated to take action that they deem necessary. Equity theory is associated with the performance of the employee and the return they receive for it in terms of pay and other rewards.

Pinder (1984) established that feelings of inequality in a work environment develop when employees feel they are not receiving equitable/commensurate return compared with the efforts/performance and other contributions at the work place. When such a feeling develops among the employees, it leads to different actions like employees reducing the amount of contribution to the organization, increasing the contribution/performance to leverage for a higher return and others will look for enjoyable assignments that can provide equal return for performance/contribution in other organizations (Champagne & McAfee, 1989).

Motivation is reinforced by fairness; human beings tend to compare themselves with others in the organization in either the same category or similar category as theirs. When this happens, employees who perceive to be treated in unequal way with others are likely to be demotivated and the opposite is true. According to equity theory, if an employee feels fairly treated he/she is motivated to do better in their job in the sense that what she puts in and the return he/she receives is perceived as commensurate. It is not clearly known how the employees of NHC perceive the PA process whether it's a fair process or not. This study is going to seal the gap by finding out the extent to which employees perceive PA system as fair.

2.6.2 Expectancy theory

The Expectancy theory was developed Victor Vroom in 1964. The Expectancy theory assumes a person is motivated to behave in a certain way due to combination of three

perceptions: expectancy which is the perception by a person that more effort will lead to better performance; instrumentality is the perception that better performance will lead to esteemed results; valence refers to the value the employee/person exerts on the anticipated end result. The Expectancy theory claims that the decision of a person to behave in a certain way relies on the anticipated result and the value an individual puts to it (Robbins, 1993). It goes further to explain that an individual will change their actions to attain the fulfillment by achieving the targets they set and future goals (Salaman, Storey, & Billsberry, 2005).

The expectation that the results of the PA process will lead to an expected end, for example when an employee achieves the set targets there is an expectation of a reward which could be in form of promotion, recognition or salary increase. This will in turn lead to motivation of employees. Expectancy theory is considered as a process theory of motivation (Fudge & Schlacter, 1999) with emphasis to personal opinions of the setting of work following from expectations. When the environment is motivating to the employees, improved performance is realized in the organization by employees achieving and exceeding the expectations.

Performance appraisal is the only tool that helps to identify whether there is an improvement or achievement of goals when the due process is followed where employees and supervisors set the targets in the beginning of a specified period in an environment that enables them to monitor and achieve the results. When this happens there is an expectation of a reward or punishment.

2.7 Conceptual Framework

The independent variable of this study is performance appraisal, which has been operationalized in the form of: setting work related goals; employee participation; fairness in the process; timely feedback; and usage of results. The dependent variable is employee motivation, which is demonstrated by initiative, teamwork, problem solving, and quality of work and enthusiastic employees

The employer chooses PA as an assessment tool for measuring performance. The manner in which assessment tool is administered has the potential to frustrate or motivate the employees to meeting the objectives of the organization. The output of the PA process communicates to the employer the value of the employees the organization holds.

INDEPENDENT VARIABLES

DEPENDENT VARIABLES



Figure 2.1: Conceptual Model

2.8 Research Hypothesis

The study was guided by the following hypotheses:

- i. H₁ There is a significant positive relationship between the extent to which employees at NHC perceive the PA system as fair and their motivation.
- ii. H₁ There is a significant positive relationship between the clarity of PA feedback received by employees of NHC and their motivation.
- iii. H₁ The use of PA results significantly enhances employee motivation at NHC.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methods that were used in the study by describing the study design, study population, sampling techniques and sample size. and data collection and analysis procedures, validity and reliability tests are also discussed.

3.2 Research Design

This study employed both qualitative and quantitative designs. A descriptive cross-sectional design was utilized. This approach was appropriate for this study because it allowed the researcher to look at various variables at one point in time. The focus of the study was to investigate the effects of performance appraisal on employee motivation at National Housing Corporation.

3.3 Target Population

The target population of the study was NHC staff at the headquarters in Nairobi. The corporation has 221 employees. The target population was distributed into six strata namely Finance, Estates, Technical, Corporate Services, Business Development and Manufacturing as shown in the Table 3.1.

3.4 Size and Sampling Procedure

A sample is a representation of the population (Mugenda and Mugenda, 2003). To ensure each sub group within the population receives proper representation within the sample, stratified random sampling was used to select a sample of 50 respondents shown in the Table 3.1 below translating to 22% of the population.

Table 3.1: Target Population and Sample Size Distribution

No.	Divisions	Target Population	Sample Size
1.	Corporate services	52	10
2.	Technical Division	35	6
3.	Estates Division	46	10
4.	Finance division	45	10

No.	Divisions	Target Population	Sample Size
5.	ICT	8	2
6.	Audit	8	2
7	EPS Factory	27	5
	Total	221	50

3.5 Data Collection and Analysis

This study collected both Primary and secondary data in quantitative form. Primary data was collected by the use of questionnaires constructed by the researcher. The questionnaire consisted of structured and semi structured questions and organized according to the objectives of the study. The questionnaires were self-administered using drop-and-pick method. Secondary data was collected from books, journals, reports as well as scholarly articles on performance appraisal and employee motivation.

At the end of the data collection, all responses/questionnaires were inspected, coded and organized for processing and analysis. Statistical Package for Social Sciences (SPSS) version 23 was used to analyze the data. This data was presented in form of percentages, frequency tables, graphs and pie-charts.

3.6 Reliability Test

An internal consistency reliability test using the Cronbach's Alpha was used to determine if the set of questions measuring effects of performance appraisal on employee motivation were measuring the same construct/concept. Ten questions were used to measure the effects of performance appraisal on employee motivation and a Cronbach's Alpha of 0.810 was obtained indicating strong reliability of the data obtained from the set of questions to measure the effects of performance appraisal on employee motivation. The Cronbach's Alpha for each of the questions is > 0.70 indicating that each of the question is valid to measure the effects of performance appraisal on employee motivation.

The study conducted a pretest to test the reliability of the research instrument on various factors as shown in the Table 3.2 below.

Table 3.2: Reliability Analysis Results

Factor	Cronbach's Alpha	Number of Items	Comments
Setting work related goals	0.781	5	Accepted
Employee participation	0.740	5	Accepted
Fairness in the PA process	0.783	4	Accepted
Timely feedback	0.749	4	Accepted
Usage of results	0.722	5	Accepted

From the pretest, all the alpha values were more than 0.7 as indicated in Table 3.2. Setting work related goals had an alpha value of 0.781, employee participation had Cronbach's alpha value of 0.740, fairness in the PA process had an alpha value of 0.783, timely feedback had a Cronbach's alpha value of 0.749, while usage of results had Cronbach's alpha value of 0.722. Accordingly, all the Cronbach alpha values were found to be above 0.7 for all the variables and therefore the construct was found to be acceptable. Based on results in table 3.2 it is clear that the research instrument was reliable with Cronbach's alpha value of above 0.7. These results correlate with Newing (2011) argument that coefficient of 0.6 to 0.7 is a commonly accepted as a rule of thumb that indicates acceptable reliability and 0.8 or higher indicated good reliability.

CHAPTER FOUR

PRESENTATION DISCUSSION AND INTERPRETATION

4.1 Introduction

This chapter covers the analysis, presentation and interpretation of the findings. The data is presented in tables and graphs with a description of the findings. The objectives of this research were to determine the extent to which employees at NHC perceive the performance appraisal system as fair, to establish whether employees at NHC receive clear feedback on their performance appraisal, to determine how performance appraisal results are used to motivate employees of NHC and to establish how the management of NHC can improve their performance appraisal process to motivate employees.

4.2 Response Rate

The researcher distributed 50 questionnaires to the staff working in NHC staff at the headquarters in Nairobi. These respondents were drawn from the corporate services, technical division, estates division, finance division, ICT, Audit and EPS factory as indicated the Table 4.1 below

Table 4.1: Response Rate

Category	Frequency	Percent
Responded	42	84.0
Did not respond	8	16.0
Total	50	100.0

From the results shown in Table 4.1, out of a sample of 50 employees, 42 employees responded while 8 of them did not respond. This accounted for a response rate of 84.0%. This is a commendable response rate basing on Kothari (2004), who pointed that 50% response rate is adequate, 60% is good, while 70% and above is rated to be very good. In addition, Richardson (2005) avers that an overall response rate for research questionnaire of at least 60% is both desirable and achievable. As such, 84.0% response rate is regarded an excellent and satisfactory response rate warranting the researcher to continue with the analysis and interpretation.

4.3 Demographic Characteristics

Prior to the objectives guiding the study, it was of great essence to find out the background information of the respondents. Several aspects were used to describe the respondents and the organization.

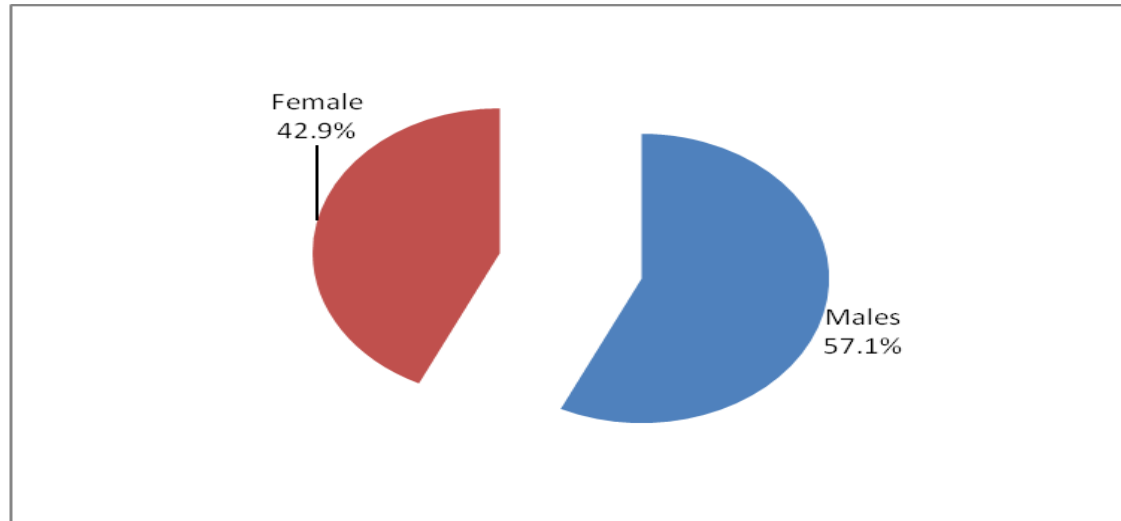


Figure 4.1: Gender of the Respondents

The gender characteristics as illustrated in the Figure 4.1 shows that a majority of the respondents were males (comprising 57.5 %) while 42.5% of them were female. This implies that the number of male respondents were more in the institution than the female staff. The findings shows that NHC studied both male and female staff and views expressed through the findings could be taken as representative of the opinions of both genders.

Table 4.2: Age Brackets of the Respondents

Age Bracket	Frequency	Percent
25 years and below	0	0.0
26 to 35 years	2	4.8
36 to 45 years	9	21.4
More than 45 years	31	73.8
Total	42	100.0

According to Table 4.2, an overwhelming majority of the respondents (comprising 73.8% (31) indicated that they were more than 45 years old and hence they were experienced to give accurate data sought in the study. About 21.4% (9) of the respondents indicated that

their ages fell between 36 and 45 years while 4.8% (2) of them were between 26 and 35 years. The results demonstrated that the respondents are well distributed in terms of age hence different views across varying ages are accounted.

The respondents' educational level was sought to give the researcher an insight on the educational level of the institution's workforce. The findings of this item were tabulated and presented in Figure 4.2.

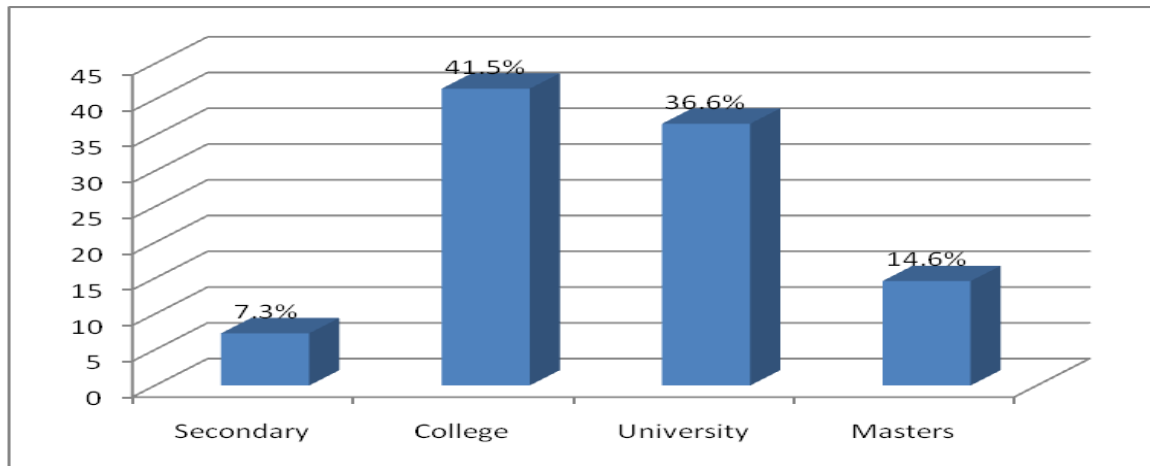


Figure 4.2: Education Background of the Respondents

The responses show that there were many college certificate and diploma holders, comprising of 41.5% of the population followed by university degree holders at 36.6%. 14.6% of the respondents had masters' qualifications, while 7.3% of the respondents had acquired secondary school qualification. At least all the participants had attained secondary education and above. This is a demonstration that National Housing Corporation employees are qualified academically and dispense their work effectively and professionally. This implies that motivation expectations are high.

This study sought to establish the assignment of the respondents in the different job levels in the organizational structures of the corporation. The results are as outlined in Table 4.3.

Table 4.3: Designation of the Respondents

Job Position	Frequency	Percent
Senior Management	2	4.8
Middle management	10	23.8
Operations staff	30	71.4

Job Position	Frequency	Percent
Total	42	100

According to Table 4.3, 71.4% of the respondents indicated that they were operational staff in the National Housing Corporation, while 23.8% of them were middle management staff while 4.8% were senior management. The results reveal that most of the responses were obtained from the operational and middle management cadre.

The respondents were requested to indicate the number of years that they had been working in the organization. Work experience is critical since it reviews the respondents' understanding of the issue sought by the researcher. Overall, the study found that most of the respondents interviewed had worked for the organization for over 10 years (38.1%). The results of the study were explained to mean that most participants had been working in the organization a significant period. This enabled them to give answers with precision on the happenings within organization.

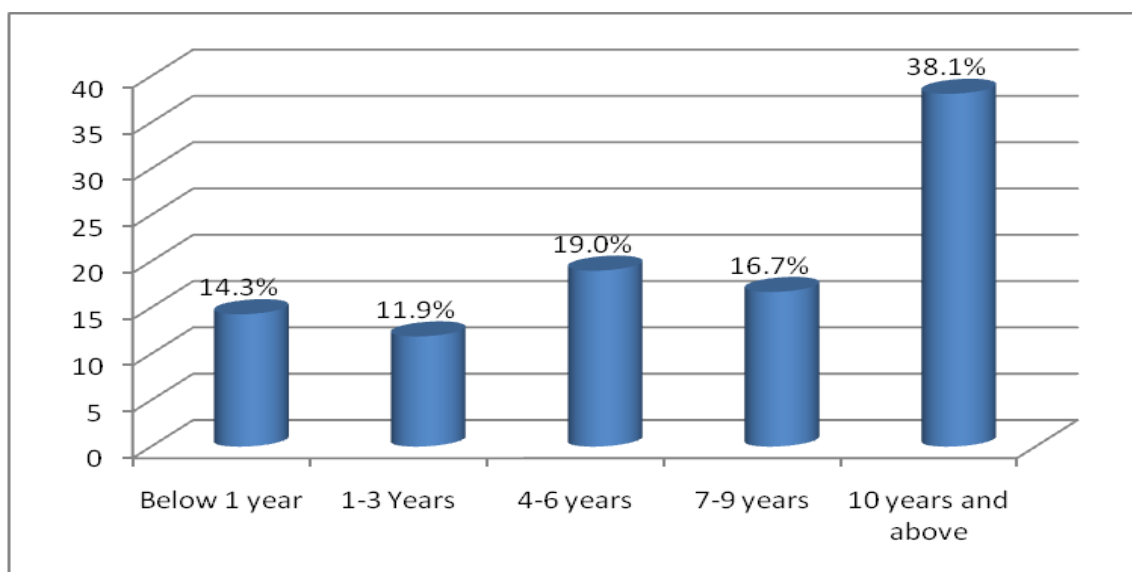


Figure 4.3: Working Experience in National Housing Corporation

4.4 Performance Appraisal Policy

To determine awareness, the respondents were asked whether there is a performance appraisal policy in the organization. To this question all (100%) of the respondents confirmed that the organization had an existing appraisal policy which provide standard against which performance is measured. This is a strong affirmation that the National Housing Corporation has adopted a performance appraisal in its operations a confirmation

that by performance management has been crucial in the reform of the public sector in recent years (Gianakis, 2002). Upon indicating that there is a performance appraisal in the organization, the respondents were required to indicate whether the same performance appraisal form used by employees of the same grade/group. Accordingly, all the respondents agreed that the same performance appraisal forms used by employees of the same grade/group. Using the same appraisal tool for the same group/cadre of employees is an indication of procedural justice as supported by (Greenberg, 1986). This is also supported by equity theory in that when employees feel equally treated in comparison with the other employees in the similar category or group they perceive fairness and equity which boosts motivation. Whenever employees perceive that PA favor's a particular kind of group and not everyone and that there is no relationship between the job itself and PA system, this makes the system very ineffective and frustrating.

To establish who appraises staff at NHC, the respondents were asked to indicate who appraised them and the results are as depicted in Table 4.4.

Table 4.4: Appraisers of the Respondents

Appraiser	Frequency	Percentage
Immediate Supervisor	12	28.6
Peer Colleague	4	9.5
Meeting between staff and immediate supervisor	26	61.9
Myself	0	0.0
Total	42	100.0

From the study, most (61.9%) of the respondents confirmed that they were appraised in a meeting between staff and immediate supervisor. In addition, 28.6% of them were appraised by their immediate supervisors, while only 9.5% of them were appraised by their peer colleagues. These results imply that the appraisals are mainly carried out during a meeting between a staff and a supervisor. This is in agreement with Smither *et al.*, (2005) who found that regular meetings should be conducted by employee and the supervisor for posterity. Continuous Communication to employees about the progress they are making in their area of expertise/operation is important.

To establish whether the PA process was standardized and documented the respondents

were asked how the appraisal was conducted and the responses as shown in Figure 4.4, an overwhelming 70.3% of the respondents indicated that the performance appraisal was conducted both orally and with an appraisal form while the rest of the respondents (comprising 29.7%) indicated that the process involved the use of an appraisal form. The respondents returned a nil result for appraisal done orally which indicates that the process of performance appraisal involves a documentation of aspects in a written form. These results concur with Boswell and Boudreau (2000) who found that the effectiveness of PA is determined by the opinions of the employees.

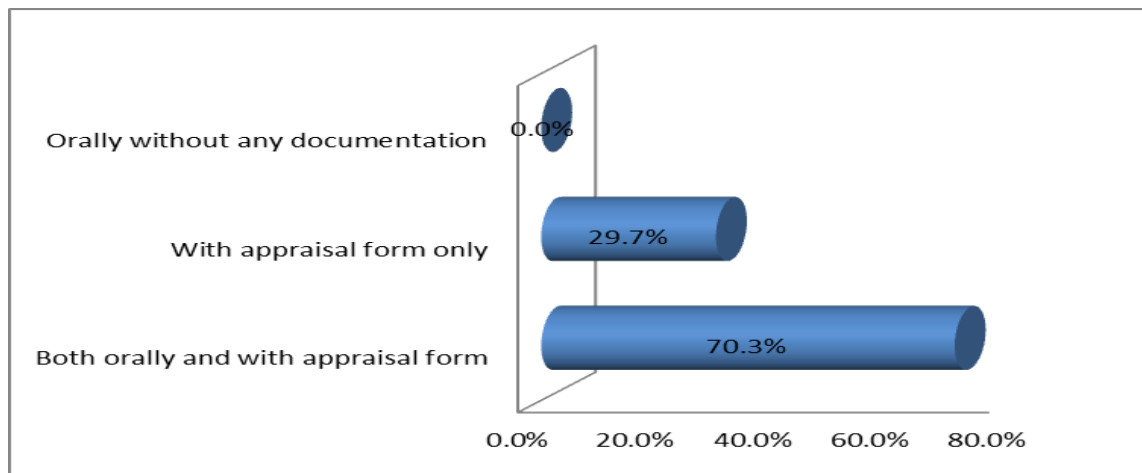


Figure 4.4: Use of Oral and Written Appraisal Form in Appraisal Process

As presented in the Table 4.5 below, 42.9% of the respondents indicated that both the supervisor and employee were involved in determining the objectives of performance appraisal, 30.9% of them recalled that the supervisors were involved in determining the objectives of performance appraisal, while 26.2% of the responses showed that the employees were responsible for determining the objectives of performance appraisal which enhances ownership of the objectives and the process and also eliminates biasness by the supervisors. All the respondents indicated that the performance appraisal was reviewed on yearly basis.

Table 4.5: Staff who determine the involvement in setting objectives of Performance Appraisal

Staff Responsible	Frequency	Percentage
Supervisor	13	30.9
Employee	11	26.2
Both supervisor and employee	18	42.9

Staff Responsible	Frequency	Percentage
Total	42	100.0

To establish whether employees understood what was expected of them, the study enquired whether there were pre-determined objectives against which the respondents were evaluated. All the respondents indicated that indeed there were pre-determined objectives against which they were evaluated. The study also sought to establish whether the staff was responsible for determining the objectives of performance appraisal and the respondents affirmed they were involved in determining the objectives. This is an implication that performance appraisals in the organization are focused on some specific objectives. The results also reflect the findings by Murphy and Cleveland (1995) that the environment where the PA is conducted should be accommodative rather than a situation where employees try to prove who is better than the other.

To establish whether the employees understood the appraisal process and procedures of NHC, the respondents were asked whether the performance appraisal policy was shared with the staff, 85.4 % indicated that the policy was shared while 14.6% indicated that the policy was not shared with the staff as illustrated in the Figure 4.5. According to Mullins (2002), the core mandate of PA, is to improve performance of employee leading to profitability of the organization.

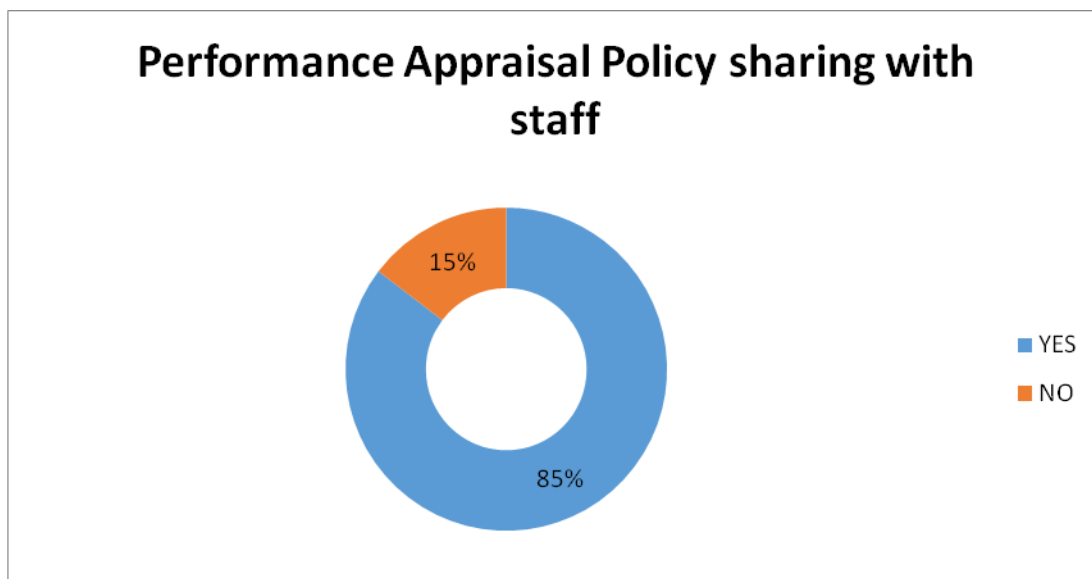


Figure 4.5: Performance Appraisal Policy sharing with staff

According to those who confirmed that the policy was shared, some of the ways in which the policy was shared was through direct communication by management, during appraisal, through staff email, via soft and hard copies, through the HR office, handouts, in the library, in memo and circulars, during seminars and staff meetings. According to Byars and Rue (2000), the evaluation of performance is done to the employees with a view of motivating them and increasing commitment which leads to higher productivity and also with an intention of guiding the employee in the right direction.

To determine who conducted the performance appraisal, respondents were asked to indicate whether they had been involved in appraising any member of staff. The findings were as shown in Figure 4.6. The study found that, a majority of the responded (73.8%) had never carried out the exercise of appraisal to any staff in the course of their work in the organization. Only 26.2% had appraised other staff members. Successful appraisal system should focus on simplicity, honesty and justice, acknowledge productivity through rewards and be conscious of raters leadership qualities (Winston Jr & Creamer, 1997)

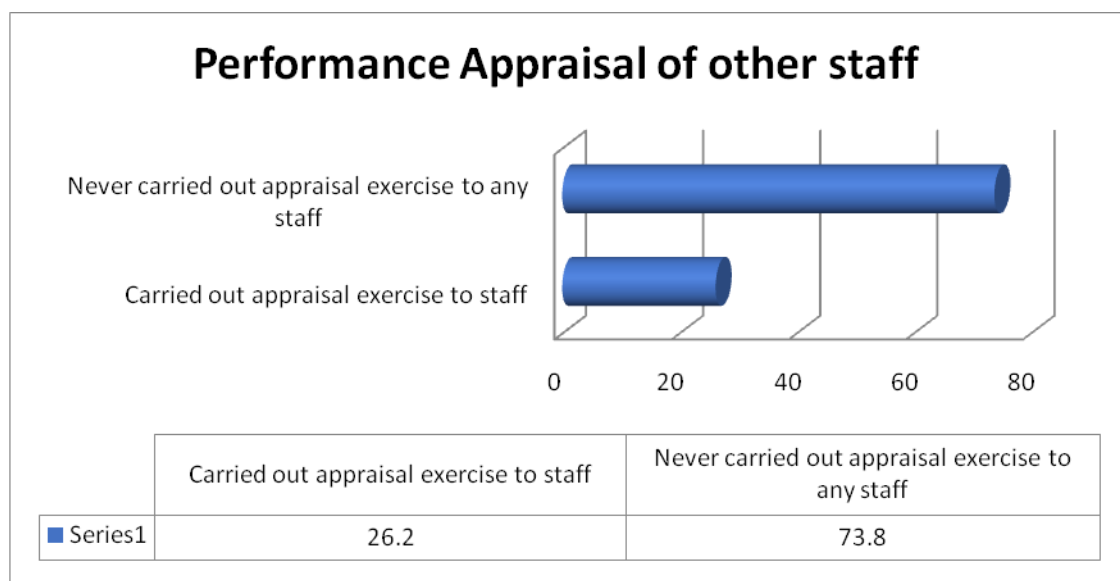


Figure 4.6: Performance Appraisal of other staff

To determine the competence of those who carried out performance appraisal, respondents were asked to indicate whether they had ever attended training on performance appraisal in the organization. The results as shown in Figure 4.7 indicate that a majority 71.4% had not been trained in performance appraisal while only 28.6 % of the staff had attended trainings on performance appraisal. If raters are not trained on how to

conduct performance appraisal they are likely to make wrong judgements and may be biased in the employee evaluations which will have negative implications on final PA. The assessor has to be knowledgeable on how to conduct evaluation and incorporate performance related actions into the final PA (Lee, 1985)

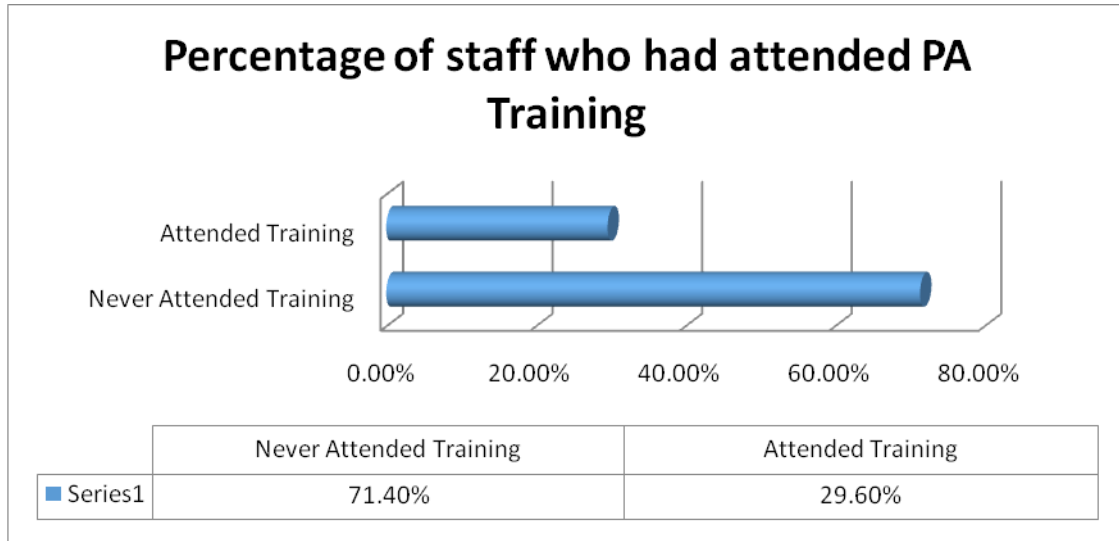


Figure 4.7: Performance Appraisal Training Attendance

Regarding the frequency of performance appraisals exercise, the results are as indicated in Figure 4.8. A majority 78.9% indicated that they were appraised every year, 2.6% every six months, 15.8% every three months, while 2.7% were not sure. The results indicated that there was no consistency in the frequency of conducting the appraisal. It is a requirement in Kenya for organizations to conduct performance appraisal at least once every year. 2.7% of the respondents PA were not sure when the appraisal was conducted on them which is a deviation in NHC been a government institution.

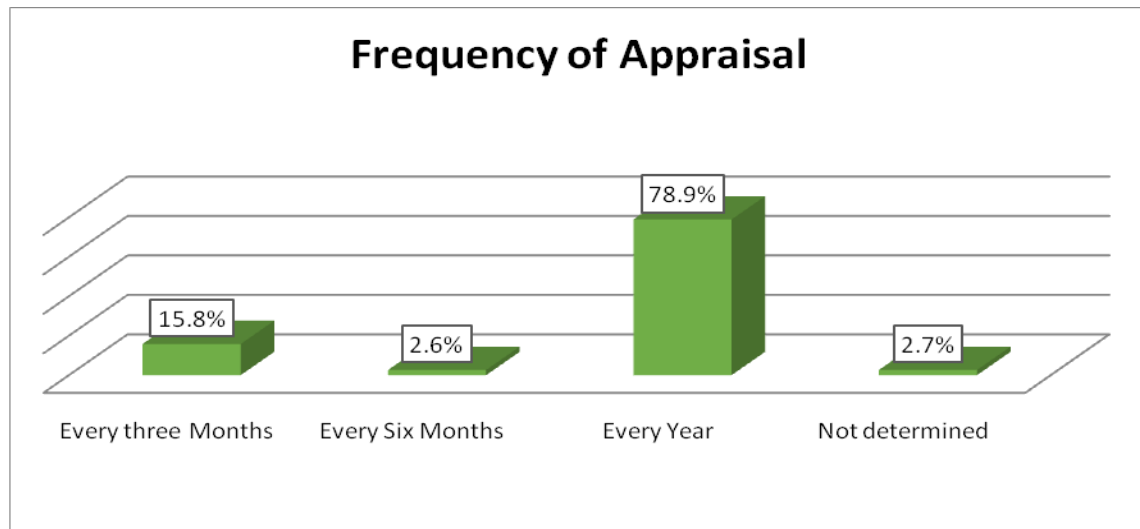


Figure 4.8: Frequency of Conducting Performance Appraisals

4.5 Fairness of Performance Appraisal System

In this section respondents were asked questions that would enable the study determine the fairness of performance appraisal system at NHC. Accordingly, respondents were asked to indicate whether they had been appraised while working in the organization. The results are as indicated that a majority (90.5%) of the responded had been appraised while in the organization. A majority (70.3%) of those who had been appraised indicated that the appraisals were conducted both orally and with appraisal form while 29.7 % were conducted with only an appraisal form. A majority (83.8%) further indicated that the objectives against which one was evaluated were pre-determined however 16.2% of the staff indicated that there were not evaluated on predetermined objectives.

The evaluation of performance without a baseline or expected standard is very challenging as it may end up been erroneous. The yardstick of measuring performance should be on a set standard otherwise it will be dependent on the rater to determine whether performance was satisfactory which would lead to bias. Nearly two-thirds (64.3%) agreed that there was an effective and efficient administration of the performance appraisal policy by the management 23.8% moderately agreed and 11.9% in disagreement. The majority perception the process as effective and efficient has of great importance to the study since Cropanzano *et al.*, (2007) defines organizational justice as individual perception of honesty and fairness of the organization administration. Boswell and Boudreau (2000) also noted that the effectiveness of PA is determined by the opinions of the employees.

The study also enquired whether the performance appraisal was fairly conducted. According to Figure 4.9, 88.1% of the respondents unanimously agreed that the performance appraisal was conducted fairly. This contrasted with 11.9% of those that felt the process was not fair. This explicitly informed that the PA process at NHC was fair which was not known to the researcher before the study was conducted.

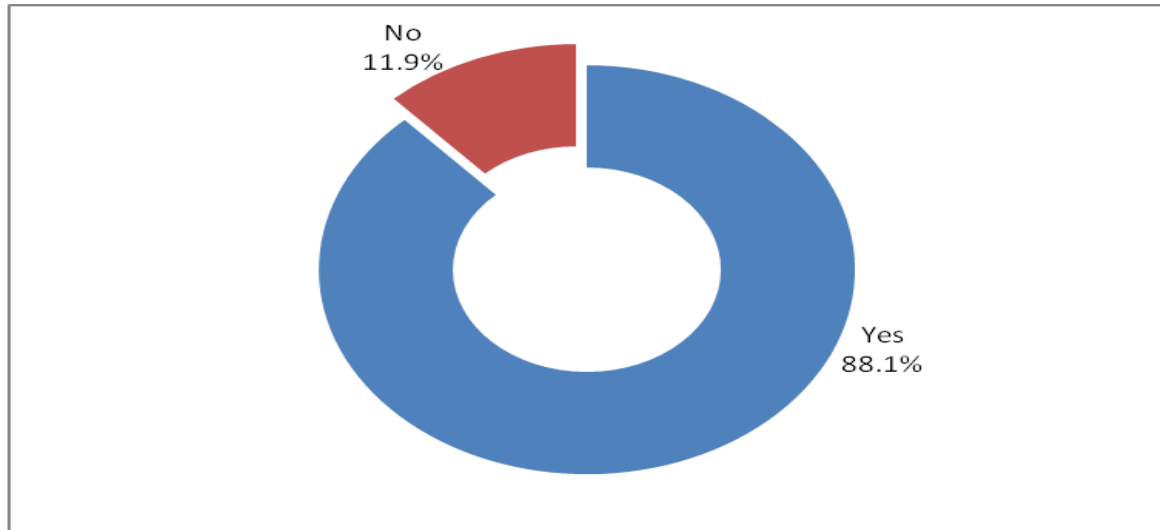


Figure 4.9: Whether the Performance Appraisal was Conducted Fairly

The study also sought to know whether the staff were motivated by the PA process. All the staff who had reported to have been appraised while in the organization and impressed by the fairness of the appraisal process returned 81.6% of them feeling motivated by the process while 18.4% felt not motivated. Since performance appraisal is part of the routine human resources practices, employees perceived that the NHC is compliant with the laid down procedures for performance management. This is supported by Pinder (1984) who stated that there is perception of injustice treatment when the input is not commensurate with the output. When employees feel that the input-outcome ratio is equitable then they perceive that they are been treated equitably which motivates the employees to increase their productivity in turn enhancing profitability this is also supported by equity theory which argues that distributive equity is the perceived fairness by the employee in the ratio of efforts aggregated in terms of skills, training and experience attained and remuneration received and in comparison with others. This affirms that awareness of procedure of conducting PA also enhances motivation as noted by Greenberg, (1986).

Table 4.6: Fairness and motivation of Performance Appraisal

Aspect	Respondents (n=42)	Percentage
The Performance appraisal was fairly conducted	Yes	100%
	No	0%
I feel motivated by the PA process	Yes	81.6%
	No	18.4%

4.6 Feedback on Performance Appraisal

To determine if feedback is received from the supervisors during or after the performance appraisal and the effect it has on employees the respondents were asked to state if they received communication on the outcome of the PA and if the feedback received reflected on work performance.

Table 4.7: Feedback on Performance Appraisal

Statement	Respondents (n=42)	Percentage
Received Feedback after Appraisal	Yes	89.50%
	No	10.50%
Feedback reflected performance	Yes	97.10%
	No	2.90%
The extent in which feedback motivated	Greater Extent	44.10%
	Somewhat	32.40%
	Very Little	17.60%
	Not at all	5.90%

The results are as indicated in Table 4.7 and Figure 4.11. 89.5% of the responded who had been appraised reported to have received feedback for the appraisal exercise while only 10.5% reported not to have received. Of those who received feedback for appraisal, 97.1% felt that the feedback a true reflection of their performance with 2.9% disagreeing. The feedback received motivated 44.1% of the respondent to a greater extent, 32.4% to

some extent while 23.5% of them were not motivated at all as shown in the Table 4.7 below. This is in accordance with Yee and Chen (2009) who argued that PA can act as a motivator by providing feedback on employees' performance; encouraging increased productivity; and reducing wastefulness. Through appraisal process, employee's get an opportunity to talk to the supervisor about issues that pertain to them and somewhat affect performance.

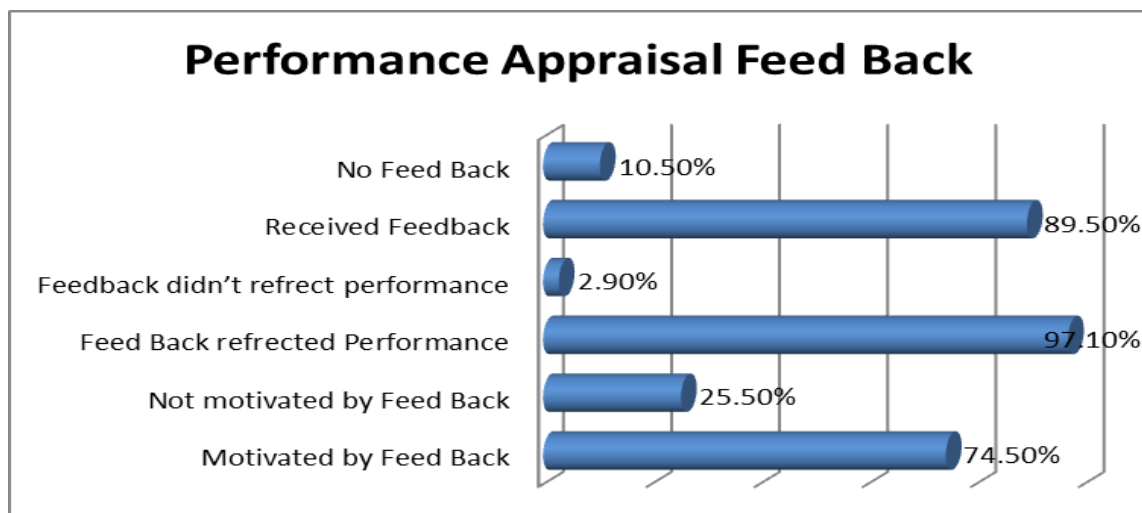


Figure 4.10: Performance Appraisal feedback and its effect on employee

4.7 Use of Appraisal Results

To determine usage of P.A results in the organization, the respondents were asked whether the results of the P.A were used and how they were used. As shown in Figure 4.11 a majority of the respondents (71.8%), the results of performance appraisal were used by the organization in decision-making. The performance appraisal result was used in training needs assessment, to reward best performers and also for demotion and promotion which is supported by the Jacobs, Kafry and Zedeck (1980) who indicated that PA provides information that is relevant in administrative uses in the organization such as pay raises, elevation of staff ,determining eligibility of staff for training and improvements. However, another 28.2% thought that the results were not put to use by the organization. If the organization, does not put into use the results of performance appraisal results then it becomes a mere routine process that has no impact in the organization. It creates a resistant altitude among the employees in the organization in getting involved in the performance appraisal whose results are not used.

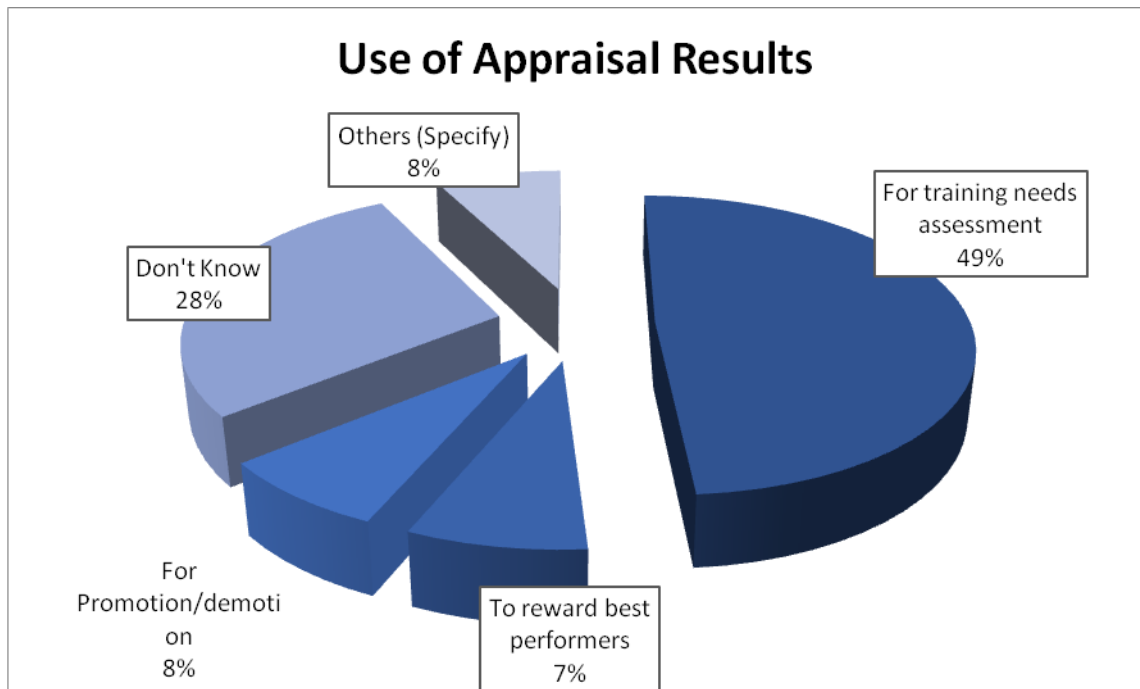


Figure 4.11: Use of Performance Appraisal Results

When asked whether they felt that the use of performance appraisal results was sufficient, 50% felt it was sufficient while another (50%) and felt it was not sufficient. The respondent suggested several other ways in which the organization could better the performance appraisal process which include use of a reward system as an addition to PA; conducting the appraisal quarterly or semi-annually; address discipline and underperformance. The above outcome on the usage of PA results is supported by Mullins (2002) in that the core function of PA is to change employee performance to better improve the performance of the individual employee hence increasing productivity.

4.8 Effect of Performance Appraisal on Employee Motivation

To determine the relationship between performance appraisal and employee motivation in the organization, the respondents were asked questions to determine if there is linkage between their performance and motivation. The results are as shown in Table 4.8.

Table 4.8: Effect of Performance Appraisal on Employee Motivation

Effect of performance appraisal on employee motivation	5	4	3	2	1
	Strongly Agree	Agree	Moderate	Disagree	Strongly Disagree
i. Performance appraisal is a critical component in the organization	62.2%	32.4%	2.7%	2.7%	
ii. Performance appraisal is based on my roles as an employee	37.5%	55.0%	7.5%		
iii. There are pre-determined objectives for my evaluation	25.0%	55.0%	12.5%	7.5%	
iv. The most recent ratings I received are based on my work	39.5%	47.4%	13.2%		
v. I am motivated with the way performance appraisal is used to evaluate my performance.	17.9%	48.7%	20.5%	12.8%	
vi. I clearly understand the purpose of performance appraisal process	31.7%	58.5%	9.8%		
vii. The process of staff performance appraisal in the organization is fairly conducted	25.0%	57.5%	17.5%		
viii. Performance appraisal process motivates me as an employee of this organization	17.5%	52.5%	20.0%	10.0%	
ix. Performance appraisal has helped improve my job performance	19.5%	48.8%	22.0%	9.8%	
x. I am satisfied with the way performance appraisal system is used to set my performance goals for each performance period.	24.4%	43.9%	24.4%	4.9%	2.4%

A majority 62.2% of the respondents strongly agreed that performance appraisal is a critical component in the organization, 32.4% agreed, 2.7% moderately agreed while another 2.7 disagreed. The respondents indicated that Performance appraisal is a critical component in any organization and that there are predetermined objectives set during

evaluation by the NHC which rated at 80%. Over 85% of the staff agreed to the fact that the recent ratings received were based on their work and more than 60% were motivated by the way performance appraisal was used to evaluate their performance. A good percentage (91.2%) of the staff understood the purpose of performance appraisal process and staff performance appraisal process in the organization was well rated as fairly conducted. Performance appraisal process did not motivate 10.0% of the employees interviewed and consequently did not help improve their job performance.

4.9 Regression Analysis

To establish the relationship between the independent variables and the dependent variable, the study conducted multiple regression analysis. The model summary for the regression is shown in Table 4.9.

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.908 ^a	.825	.789	0.752

Predictors: (Constant), Setting work related goals, Employee participation, Fairness in the PA process, Timely feedback, Usage of results

According to Table 4.9, the five variables that were studied (Setting work related goals, Employee participation, Fairness in the PA process, Timely feedback, Usage of results) explain 82.5% of the usage of results as represented by the R^2 . This thus means that the variables (Setting work related goals, Employee participation, Fairness in the PA process, Timely feedback, Usage of results) contribute 82.5% to the employee motivation while other aspects not studied in this study contribute 17.5% of employee motivation.

The Analysis of variance (ANOVA) was used to determine whether there was a regression relationship between the studied variables. The F-ratio in the ANOVA table tested whether the overall regression model was good and fit for the data. The results obtained are presented in Table 4.10.

Table 4.10: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.16	5	4.232	3.804	.000(a)
	Residual	7.164	36	0.199		
	Total	28.324	41			

Predictors: (Constant), setting work related goals, Employee participation, Fairness in the PA process, Timely feedback, Usage of results

Dependent Variable: Employee motivation

From the ANOVA statistics in Table 4.10, the processed data had a significance level of 0.000, which shows that the model is fit to predict the relationship between the independent and the dependent variables. The F calculated at 5% Level of significance was 3.804. Since F calculated is greater than the F critical (F-Critical= 2.04 at 5, 36), this shows that the overall model was significant i.e. there is a significant relationship between various aspects of performance appraisal studied and employee motivation. Statistical tests of ANOVA reveal that the three strategic positioning are crucial for usage of results.

Table 4.11: Multiple Regression Analysis

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	4.454	0.449		9.9198	0.045
Setting work related goals	0.376	0.125	0.387	3.0080	0.042
Employee participation	0.316	0.076	0.034	4.1579	0.018
Fairness in the PA process	0.333	0.109	0.400	3.0550	0.036
Timely feedback	0.497	0.149	0.233	3.336	0.045
Usage of results	0.384	0.113	0.425	3.398	0.039

The regression model ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon$) therefore becomes;

$$Y = 4.454 + 0.376X_1 + 0.316X_2 + 0.333X_3 + 0.497X_4 + 0.384X_5$$

Keeping the independent variables (Setting work related goals, Employee participation, Fairness in the PA process, Timely feedback, Usage of results) constant, the employee motivation would have a coefficient of 4.454. From the results, the regression coefficient

for setting work related goals is 0.376. This had a significant value of 0.042 which is less than 0.05 depicting the significance of the relationship between setting work related goals and employee motivation.

The regression model as well shows that employee participation are positively related to employee motivation. The regression coefficient for this was obtained to be 0.316 with a significant value of 0.018 less than 0.05 indicating a significant effect of employee participation on employee motivation. Thus, a unit growth in employee participation would result to 0.316 times increase in employee motivation. Further, Fairness in the PA process were seen to have a positive effect on the employee motivation. This is shown by the regression coefficient of 0.333 with a significance value of 0.036 which is less than 0.05 the critical value at the 5% level of significance. This therefore shows that given a unit increase in fairness in the PA process would result to 0.333 increase in employee motivation. In addition, a unit increase in timely feedback would lead to a 0.497 increase in employee motivation. Finally, a unit increase in usage of results would lead to 0.384 units increase in employee motivation. According Coens and Jenkins (2000), a PA system can provide the organisation and the employee with many benefits including increased productivity and hence higher returns.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings of study and gives conclusion and recommendations based on the findings. This chapter will consist of four sections summary of the study and discussion of empirical findings, conclusions and areas of further research.

5.2 Summary of the Study

The main objective of the study was to examine the effects of performance appraisal on employee motivation in National Housing Corporation. Specifically, the study set out to establish the extent to which employees of NHC perceive the PA system to be fair, whether they receive clear feedback on the PA, whether the feedback obtained from the appraisal process is used to motivate employees and how the management of NHC could improve the appraisal process to motivate employees.

Largely, a review of the literature revealed that there is a significant relationship between employee performance appraisal and employee motivation. The literature indicated that the employees who are aware of the significant contribution they make in the organization in terms of their input/effort are highly motivated unlike employees who are not aware of what their contribution makes to the organization. This is unlikely to happen where no formal way of measuring performance of employees exists. The existence of a formal system of measuring performance is helpful for employees to view it as a fair procedure. The literature also revealed that information or feedback on how an employee is performing in relation to the work assigned to them and the set targets is important in making the employee perform better in the job enhancing productivity in the organization. The literature revealed also that performance appraisal is useful to the employee, the supervisor and to the entire organization for administrative and developmental purposes. Motivated employees are required for any organizational survival.

In several countries of the world, organization have developed strategies of performance appraisal through performance management to keep and maintain an inspired, enthusiastic workforce for achievement of organizational goals and keeping a competitive

edge in the market. The study used quantitative data which was obtained from 42 respondents from middle management and operations staff in NHC. The data was analyzed using SPSS and demographic indicators were (age, gender, level of job position and the length of service at NHC) then this was proceeded by the specific sections in line with the study objectives.

Majority of the staff interviewed were males with the highest level of education being college with a median age of 34years who worked in the level of operational staff and middle management level staff. The length of service in the organization was over 10 years for a majority of the staff. In line with the objective one, this study sought to determine the extent to which the employees of NHC perceived PA system as fair. The study established that performance appraisal was conducted to a big percentage of the staff and for uniformity and equality purposes, the same appraisal form was used for staff in the same grade or job groups. The appraisals were done by an immediate supervisor who had closely worked with the staff to enhance the quality and accuracy of the appraisal feedback.

To guide the appraisal process, key objectives were set against which the staff were evaluated. This enhanced the quality and objectivity of the process. All the staff who had reported to have been appraised while in the organization indicated that they felt that the performance appraisal process was fair with 81.6% of them feeling motivated by the appraisal process. In line with the second objective, the study sought to establish whether employees at NHC received clear feedback on their performance appraisal. From the findings, it was clear that employees received clear feedback as attested by 90% of the employees. This feedback significantly motivates them in their place of duty and consequently boosted their performance and the overall productivity in the organization. The feedback from the appraisal reflected on their performance in their different roles. A minority of nearly 10% were however not motivated by the feedback received from the appraisal probably because the feedback did not meet their expectations.

In line with objective three, which sought to determine how feedback obtained from performance appraisal process was used to motivate employees of NHC. Feedback obtained during performance appraisal was put into several uses by the organization with 49% used for training needs assessment. 7% indicated that best performers were rewarded based on the feedback from appraisal. 8% Job promotions/demotions were guided by the

report obtained during the performance evaluation exercise. Only 28% of the employees evaluated were not aware of how the PA results were used. The use of these results was equally rated as sufficient and not sufficient.

Lastly the fourth Objective sought to establish how the management of NHC could improve the appraisal process to motivate employees. Some key areas to improve on included the use of a reward system as a result of performance appraisal, conducting appraisal quarterly or semi-annually, including all staff in the appraisal process, rewarding best performers and promoting and addressing disciplinary and underperformance.

5.3 Conclusions

The study was specifically interested in examining the effects of performance appraisal on employee motivation of NHC. The study concludes that the Performance appraisal was perceived to be fair with 81.6% of the respondents confirming the fairness of the process. Based on the above finding the study was able to confirm that there is a correlation between the extent to which employees at the NHC perceive PA system as fair and motivation.

The second Objective sought to establish whether employees at NHC receive clear feedback on their performance appraisal. After every appraisal exercise nearly 90% of the staff appraised receive their feedback. This feedback significantly motivates them in their place of duty and consequently boosted their performance and the overall productivity in the organization. The findings support the hypothesis that there is a correlation between PA feedback received by the employees of NHC and employee motivation.

The third objective sought to determine how feedback obtained from performance appraisal process was used to motivate employees of NHC. Feedback obtained during performance appraisal was put into several uses by the organization. However, the findings of this study established that 50% of the respondents rated usage as sufficient and 50% as not sufficient. This will require the management of NHC to widen the scope of the use of the performance results.

The fourth objective was to establish how the management of NHC can improve their appraisal process to motivate employees. Some key areas to improve on included the use of a reward system as a result of performance appraisal, conducting appraisal quarterly or

semi-annually, including all staff in the appraisal process, rewarding best performers and promoting and addressing disciplinary and underperformance.

5.4 Recommendations

Findings of the study indicate that there is a significant relationship between performance appraisal and employee motivation. On the basis of the findings that have been established and conclusion drawn the study recommended that NHC should incorporate a deliberate reward system to enhance and improve the process of performance appraisal.

The study recommends that the Organization should reward their employees with promotions and deployment in 'greener areas'. This would involve reviewing of PA policies to incorporate reward systems for motivating employees. These aspects should be committed in attending to the employees' grievances and prompt salary payment to the employees, maintaining a good relationship between employees and the employer, teamwork encouragement and also encourage employee involvement in decision making.

In addition, NHC should provide conducive work environment, appropriate tools, provide continued training and seminars for the employees and effective communication of policies and procedures to the employees to ensure that they remain motivated and committed to their work. This would involve modifying appraisal forms to match different department and sectorial activities.

The Corporation should focus on conducting more trainings and capacity development for performance appraisal. Employees should freely give input into the design of the PA form and feel committed to a new system. If executed correctly, managers will be able to give appraisals to employees under their supervision. If there is a mismatch between organizational structure and the design of the appraisal system, it will be ineffective. If management staff provide evaluations that are not appropriate, then employees will become disgruntled.

5.5 Areas for Further Studies

The researcher recommends the study to be expanded to other stated owned corporation to determine the effect of performance appraisal on employee motivation. There is also need to conduct more studies on the corporations' capacity to review staff performance so as to increase the ability of the human resource to assess the performance of each staff. The researcher also recommends a study to be done on the effect performance appraisal on the overall performance of the organization.

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APPENDICES

Appendix I: Questionnaire

SECTION I: DEMOGRAPHIC INFORMATION

(Please tick where applicable)

1. What is your name? -----
2. Gender Male () Female ()
3. Age..... (years)
4. What is your highest level of education?
 - a. None ()
 - b. Primary ()
 - c. Secondary ()
 - d. College ()
 - e. University ()
 - f. Masters ()
 - g. Ph.D ()
 - h. Others (Specify)
5. What level is your job position in the organization?
 - a. Senior Management ()
 - b. Middle management ()
 - c. Operations staff ()
6. How many years have you worked in this organization?
 - a. Below One Year ()
 - b. 1 – 3 years ()
 - c. 4 – 6 Years ()
 - d. 7 - 9 years ()
 - e. 10 years and above ()

SECTION II: GENERAL QUESTIONS ON PERFORMANCE APPRAISAL

7. Does your organization have a performance appraisal policy?
a. Yes () b. No () c. I don't know ()
8. If Yes in (5) above, is there is an effective and efficient administration of performance appraisal policy by the management?
a. Strongly Agree ()
b. Agree ()
c. Moderate ()
d. Disagree ()
e. Strongly Disagree ()
9. If Yes in (7) above, is the policy shared with staff?
Yes () No ()
10. If Yes in (9) above, how is the policy shared?
.....
11. In the course of your work in the organization,
a. Have you appraised any staff?
Yes () No ()
b. Have you ever attended training on Performance Appraisal in the organization?
Yes () No ()

SECTION III: FAIRNESS OF PERFORMANCE APPRAISAL SYSTEM

12. Have you ever been appraised on performance while in this organization?
Yes () No ()
13. If Yes in (12) above, is the same performance appraisal form used by employees at the same grade/group?
Yes () No ()
14. If Yes in (12) above,
a. Who appraised you? (Can select more than one option)
Immediate Supervisor ()
Peer Colleague ()
Meeting between staff and immediate supervisor ()
Myself ()

- b. How was it conducted? (only select one option)
 - With an appraisal form
 - Orally without documentation
 - Both orally and with appraisal form
- c. Were there pre-determined objectives against which you were evaluated?
 - Yes No
- d. If yes in part (c) above, who determined the objectives? (only select one option)
 - Supervisor
 - Employee
 - Both supervisor and employee
 - I don't know
- e. How frequent are you appraised? (only select one option)
 - Every three Months
 - Every six months
 - Every Year
 - Not determined.
 - I don't know
- f. In your view, was PA fairly conducted?
 - Yes No
- g. If Yes in (f) above, did you feel motivated by the PA process?
 - Yes No

SECTION IV: FEEDBACK ON PERFORMANCE APPRSISAL

15. If you answered Yes in Q12 above, did you get feedback after appraisal?

- Yes No

16. If you answered Yes in Q15 above, do you think the feedback reflected your performance?

- Yes No

Please comment

.....

17. To what extent did the feedback received motivate you?

- Great extent ()
- Somewhat ()
- Very little ()
- Not at all ()

SECTION V: USE OF PERFORMANCE APPRSISAL RESULTS

18. Does your organization use performance appraisal results?

Yes () No ()

19. How does your organization use performance appraisal results?

- a. For training needs assessment ()
- b. To reward best performers ()
- c. For promotion/demotions ()
- d. Don't Know ()
- e. Others (specify).....

20. Do you think the above use is sufficient?

Yes () No ()

21. What else can be done differently? (Please comment)

.....

SECTION VI: EFFECT OF PERFORMANCE APPRAISAL ON EMPLOYEE MOTIVATION

22. Please indicate the extent to which you agree with the following statement relating to performance appraisal in your organization.

Effect of performance appraisal on employee motivation	5	Strongly Agree	4	Agree	3	Moderate	2	Disagree	1	Strongly Disagree
xi. Performance appraisal is a critical component in the organization										
xii. Performance appraisal is based on my roles as an employee										
xiii. There are pre-determined objectives for my evaluation										
xiv. The most recent ratings I received are based on my work										
xv. I am motivated with the way performance appraisal is used to evaluate my performance.										
xvi. I clearly understand the purpose of performance appraisal process										
xvii. The process of staff performance appraisal in the organization is fairly conducted										
xviii. Performance appraisal process motivates me as an employee of this organization										
xix. Performance appraisal has helped improve my job performance										
xx. I am satisfied with the way performance appraisal system is used to set my performance goals for each performance period.										

SECTION VII: IMPROVEMENT OF PERFORMANCE APPRAISAL

23. What do you think the organization can do to improve the process of performance appraisal?

.....

.....

.....

THANK YOU

Appendix II: Introductory letter



University of Nairobi

COLLEGE OF HUMANITIES AND SOCIAL SCIENCES

Department of Political Science & Public Administration

Telephone: 318262 Ext.28171

P.O Box 30197

Telegrams: "Varsity" Nairobi

Nairobi, Kenya.

Fax: 254 (020) 245566

Email: dept-pspa@uonbi.ac.ke

Our Ref: C51/74681/2014

Date: 30/10/2017

TO WHOM IT MAY CONCERN

This is to confirm that Margaret Ndegwa is a bona fide student in this department, pursuing a Master of Public Administration degree course



Ms Ndegwa is currently working on her project paper. She is collecting data for her research project titled "Effects of Performance Appraisal on Employee Motivation at National Housing Corporations"

Any assistance accorded to her will be highly appreciated.


Prof. Philip O. Nying'uro, PhD.
Chairman,
Department of Political Science and Public Administration

for

Appendix III: NHC Authorization to collect data

NATIONAL HOUSING CORPORATION			NHC House, Aga Khan Walk P.O. Box 30257-00100 NAIROBI Tel: +254 3312147/3312149 Fax : +254 (020) 311318 E-mail: info@nhckkenya.co.ke Website: www.nhckkenya.co.ke
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Your Ref: _____ Date: 8th November 2017

Our Ref: NHC.14.21.2.4.1.VIII(3)0CAN

Margaret Ndegwa
University of Nairobi
P.O. Box 30197
NAIROBI

Dear Madam,

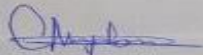
RE: REQUEST TO COLLECT DATA FOR PMA PROGRAMME.

Reference is made to your letter dated 30th October 2017 on the above subject.

This is to inform you that the request to collect a data at National Housing Corporation has been accepted.

Please note that on completion of your research project, you will be required to submit a copy of your report to the corporation for our records.

Yours faithfully,


C.A. NYABWA
For: MANAGING DIRECTOR.

CAN/ak

HOUSING THE NATION

Appendix IV: Research Authorization



NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

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

NACOSTI, Upper Kabete
Off Waiyaki Way
P.O. Box 30623-00100
NAIROBI-KENYA

Ref. No. **NACOSTI/P/18/52969/25318**

Date: **13th October, 2018**

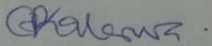
Margaret Murugi Ndegwa
University of Nairobi
P.O. Box 30197-00100
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on "*Effect of performance appraisal on employee motivation: The case of National Housing Corporation*" I am pleased to inform you that you have been authorized to undertake research in **Nairobi County** for the period ending **11th October, 2019**.

You are advised to report to **the Managing Director, National Housing Corporation, the County Commissioner and the County Director of Education, Nairobi County** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit a **copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.


GODFREY P. KALERWA MSc., MBA, MKIM
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The Managing Director
National Housing Corporation.

The County Commissioner
Nairobi County.