Çankırı Karatekin Üniversitesi
İktisadi ve İdari Bilimler
Fakültesi Dergisi
Y.2014, Cilt 4, Sayı 2, ss.191-206

Çankırı Karatekin University
Journal of The Faculty of Economics
and Administrative Sciences
Y.2014, Volume 4, Issue 2, pp.191-206

An Assessment of Performance Appraisal System in Savings and Loans Companies in Ghana: Evidence from Kumasi Metropolis

Dadson AWUNYO-VITOR

Corresponding Author, Department of Agricultural Economics, Agribusiness and Extension, Kwame Nkrumah University of Science and Technology, awunyovitor@yahoo.co.uk

Margaret Aba SAM HAGAN

Institute for Development Studies, Faculty of Social Sciences, University of Cape Coast

Patrick APPIAH

Department of Agricultural Economics, Agribusiness and Extension, Kwame Nkrumah University of Science and Technology

Abstract

This study seeks to assess the performance appraisal system in savings and loans companies in Kumasi Metropolis. In all 120 respondents were selected for the study from five Savings and Loans companies. Data was gathered through the use of questionnaires, and descriptive inferential statistics was used to analyze the data. This result revealed that a large proportion of the respondents are aware of performance policies. However only a few of them are knowledgeable about the policies hence employees' exposure to the appraisal policies and procedures might be due to chance rather than the companies being proactive in educating their employees on the policies and procedures. The study also revealed that performance appraisal has a positive relationship with training and development. Hence, management commitment to the performance appraisal process will lead to a more than proportionate increase in employee training and development. Managers must therefore put in place measures that will ensure that employees are educated about the use of the performance appraisal system and be committed to performance appraisal to improve employee performance through training and development.

Keywords: Performance Appraisal, Savings and Loans Company, Kumasi Metropolis, Ghana.
JEL Classification Codes: L10, L25.

Tasarruf ve Kredi Şirketlerinde Performans Değerlendirmesi Analizi: Kumasi Metropolü Örneği[*]

Öz

Bu çalışma Kumasi Metropolünde tasarruf ve kredi şirketlerindeki performans değerlendirme sistemini incelemeyi amaçlamaktadır. Bu çalışma 5 adet tasarruf ve kredi şirketinden seçilen 120 katılımcıyla beraber yapılmıştır. Çalışmada tanımlayıcı ve çıkarımsal istatistikler kullanılmıştır. Çalışmadan elde edilen bulgulara göre ankete katılan kişilerin büyük çoğunluğu performans politikalarından haberdardırlar. Öte yandan, katılımcıların pek azı performans politikaları hakkında bilgi sahibidir. Benzer şekilde çalışanlar performans analizlerini şirketin proaktif eğitim politikalarından ve prosedürlerinden ziyade, şans olarak görmektedirler. Çalışma aynı zamanda eğitim ve gelişim arasındaki pozitif ilişkiyi ortaya koymuştur. Bu nedenden ötürü performans değerlendirme sistemine yönetimsel anlamda entegre olmak çalışanların eğitiminde ve gelişiminde oransal artışı sağlayacaktır. Bir diğer ifadeyle yöneticiler için performans değerlendirme sisteminin kullanılması mutlaka göz önünde bulundurulması gereken bir husustur.

Anahtar Kelimeler: Performans Analizi, Tasarruf ve Kredi Şirketleri, Kumasi Metropolü, Gana.
JEL Sınıflandırma Kodları: L10, L25.

[*] The English title and abstract of this article has been translated into Turkish by the Editorial Board.
Bu çalışmanın İngilizce başlık ve özeti, Yayın Kurulu tarafından Türkçe'ye çevrilmiştir.

Atıfta bulunmak için…| Cite this paper | Awunyo-Vitor, D., Sam Hagan, M.A., Appiah, P. (2014). An Assessment of Performance Appraisal System in Savings and Loans Companies in Ghana: Evidence from Kumasi Metropolis. *Çankırı Karatekin Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi*, 4(2), 191-206.

1. Introduction

Productivity is very essential for the survival of every organization. Only with a high level of productivity can per unit cost be reduced which will reflect in the eventual price of the organization's products. Reduction in price will attract customers to patronize the products. Organisational productivity depends largely upon controlling the interplay of at least three resources, namely an organisation's capital and assets, technology and its human resources. Organisational capital is the procedure implemented by the organisation to complete work which is critical to its survival. It involves working practices such as just in time, account payable process and total quality management. Buildings, equipment and vehicles are considered capital assets which the organisation buys to receive a financial return from investing in them.

Technology deals with personnel knowledge and usage of tools and its effect on their ability to control and adapt to the achievement of organisational objectives. Technology has affected organisations and their surroundings in a number of ways. In many organisations technology has helped develop more advanced ways of doing things to create value for the organisation. Human resource is a term used to refer to how personnel in organisations are managed. This field has moved from a traditionally administrative function to a strategic one that recognises the link between employee performance and the organisation's success. The field of human resource development and management draw upon concepts in organisational psychology and system theory. According to Macky (2000) human resource has at least two related interpretations depending on context. The first usage is more in term of human resource development and can go beyond just organisations and societies to level of nations. The second, which is more traditional, refers to the management of individual (employees) within an organisation and to a section or department of the organisation that deals with employment, training and other personnel issues. Thus interplay of these factors is crucial to the success of any organisation. As an organisation's capital can only contribute effectively towards the organisational objective if personnel within the organisation are utilised effectively and efficiently. In addition an organisation can only implement new working practices or administrative procedures to satisfy customers and increase value for its shareholders if employees are competent and are prepared to embrace it.

Furthermore, in deciding on how to move capital to where it will maximize returns calls for continuous monitoring of its effectiveness. In the same vain acquiring or giving up a particular technology calls for effective assessment of its productivity. The human resource component poses even a greater challenge in the evaluation process and requires constant monitoring to ensure that the right calibre of human resource has been acquired. Among these resources, human resources have invariably been argued to be the most important. This is because

the quality of its human resource determines the productivity of the other resources in the business productivity cycle (Egan, 1995).

In the present age of competition, organisations cannot afford to have weaker or below average employees. Improvement in productivity calls for a quality labour force. The springing up of many labour organisations whose aim it is to ensure that their members are fairly treated also calls for the institution of a well streamlined system of evaluating employees so as to stand the test of any legal challenge.

Although the Ghanaian Labour Act 651 of 2003 does not clearly call for the institution of an employee evaluation system, it frowns on discrimination and unfair labour practices bordering on redundancy and the likes. Its silence on this very important aspect of personnel administration is weird and only reinforces the notion that formal appraisal systems are still at the embryonic stage of personnel administration in Ghana. Nonetheless, Section 62(a) of the Act justifies termination of employment on grounds of incompetence as fair. It is equally worth mentioning that, whilst in many developed economies appraisal information accounts for many staff dismissals which have been contested in court, none of the employee termination suits in Ghana can be linked to the result of performance appraisal. This is due to the low level of gravity and credibility associated with employee appraisal systems in Ghana.

Admittedly, it is difficult to monitor personnel as can be done in the case of equipment and technology. The same person in different circumstance at different times will produce different results. This conclusion has amply been demonstrated in the famous Hawthorne Experiment conducted at the Western Electric Company in United States of America (1924-32) widely believed to have been headed by Elton Mayo (1880-1947) which saw workers' productivity increasing under varying circumstances (Aileen, 2005). Besides that, unlike machines who are devoid of emotions and unaffected by derogatory remarks made against them, the human sentiment is easily evoked when being subjected to performance scrutiny.

Notwithstanding the subjectivity and human sentiments associated with measuring the output of various grades and categories of human resources, organizations are keen (Armstrong, 2003) to ensure that an employee's performance is evaluated. Subjecting the human resource to the same scrutiny as in the case of machinery and equipment will call for measurable outputs. Not all human resource outputs can easily be measured: those that are measured have often been conducted using poorly designed methods and criteria. The systems are often characterised by bias and prejudice, and are not often based on fairness as employees are not given equal opportunities to assess and be assessed (McGregor, 1972). This is because in situations where people assess others without they themselves being assessed still prevail in some organisations. As such, subjectivity and human sentiments incorporated in these appraisals have often led to poor outcomes, and as a result

sanctions have often been poorly applied (Ostroff, 1993).

Thus, there is the need for an appraisal system that is fair and objective which curtails the subjectivity and human sentiment. An appraisal system that can be effectively done with fairness and objectivity while ensuring that a higher level of productivity is maintained in the organisation is necessary. The appraisal system can be used as a prerequisite for human development of organisations in modern time. Alouin and Fell (2002) note that it is the most debatable human resource management activity and proponents of performance appraisal deem it as necessary to a successful human resource strategy. Whilst some critics view it as unnecessary and potentially destructive to workplace harmony (Roberts, 2003; Simmons, 2002). Others such as Scholtes (1998) argued that there is no right way to conduct performance appraisal, and that the process hurts both those who were evaluated and those who conduct the evaluation. Deming (1986), the most vocal and popular of the opponents of performance appraisal, argued that it is unnecessary and one of the seven "*deadly diseases afflicting most organisations in the Western world*". However, Thomas & Bretz, (1994) as well as Wiese & Buckley (1998) asserted that performance appraisal serves a number of valuable organisation's purpose hence it will remain in use in foreseeable future. In addition, those who oppose the appraisal system are less forthcoming on how key decisions on performance could be made (Simmons, 2002).

Wright & Race (2004) agreed that well administered and fair performance appraisals, which consist of agreed measurable objectives and development needs for employees, will assist an organisation to achieve its competitive edge, but caution that any action plans discussed must be followed through to ensure that the system does not lose credibility. An appropriate employee appraisal system, which is accepted by staff and encouraged by management, would help resolve labour unrest within the organisation which may arise as a result of disparity and inadequacy of wages and salaries, promotion, training and development of staff among other things.

The institution of a well structured appraisal system that exhibits a high level of fairness and objectivity will serve to motivate the morale of employees to improve their productivity. It would also support the reward system of the organisation. With well structured appraisal system the numerous industrial labour unrest currently going on in the country, as result of disparity and inadequacy of wages, salaries and training and development will be curtailed. Also management can plan better with regards to training and development of staff or human resource which would translate into high performing staff and increased productivity.

Once these are harnessed it would translate into improved employee performance and organisational development leading to achievement of organisational goals and objectives. Performance appraisal is essential for employees in all organisations which is aimed at increasing productivity for the survival of that

organisation (Babak et al., 2010). Greenberg (1990) argued that it is only through performance appraisal and training and development of employees that the organisation's level of productivity per unit cost will be reduced which will reflect in the overall performance of the organisation.

Savings and Loans companies are financial institutions who employ, by the very nature of their operations, a broad spectrum of professionals. The industry in which they operate (i.e. the financial sector of the economy) is also dynamic depending heavily on technology and the quality and commitment of its manpower for successful operations and continuous growth. This calls for continuous training and development of staff coupled with motivational packages to retain the staff. Therefore proper management of the organisation's performance appraisal system would help meet its short and long-term goals and objectives by helping managers and employees to do their jobs more efficiently and effectively (Bacal, 1999; Rudman, 2003). According to Edmonstone (1996), the performance appraisal system is often used synonymously with that of performance management. Vallance & Fellow (1999) also noted that performance appraisal has also been referred to as performance assessment, performance review, and performance evaluation and performance management. Furthermore, a host of researchers (Cole, 2001; Johnson, 1995; Wiese & Buckley, 1998) view performance appraisal as a process which aimed to assess employee's performance over a period of time in order to fully utilize the full potential of human resource capacity of the organisation.

Savings and loans companies appraise the performance of their employees, sometimes referred to as performance review, sometimes performance evaluation In some other savings and loan companies it is annual affair while others undertake the exercise as and when the management needs to make a promotion and salary adjustment. The result of the performance appraisal exercise is used for both evaluative and developmental purposes. The performance appraisal can be invaluable to an organisation's purpose, and savings and loans companies can use it for key decision making if the staff are satisfied with the process. Performance appraisal can be used to identify the training needs of the employees (developmental) and salary adjustment and promotion (evaluative); and serve as an important source of feedback for staff on their performance which is strongly desired by them.

These advantages can only be achieved through well administered and fair performance appraisals which consist of agreed measurable objectives and development needs for employees. Such a system will assist these organisations to achieve a competitive edge through training and development of employee; however this is only to occur when any action plans discussed in relation to performance appraisal and training and development are followed through (Mani, 2002).

As employee performance appraisals are carried out by individuals, if there is a perception by the employees that the process has not been conducted with utmost objectivity and they are not satisfied with the appraisal system this may result in complaints and petitions which in turn, may result in loss of management's valuable time to address these issues. Hence study seeks to examine the performance appraisal system in savings and loans companies in Ghana and assess employees' perception of the appraisal process as well as the impact of the performance appraisal on career development and training.

2. Methodology

Two stage sampling technique was used to select respondents for the study. At the first stage five savings and loans companies were purposive selected based on their client base. At the second stage a simple random sampling technique was used to sample 120 respondents from the selected savings and loans companies. The respondents were proportionally distributed among the selected savings and loans companies based on number of employees.

A questionnaire was used to solicit information from the respondents. The questionnaire consisted of both open-ended and close-ended questions. Descriptive and inferential statistics were used to analyze the data. A Chi-Square test was used to test the following hypothesis: null hypothesis (H_0)**:** there is no statistically significant relationship between performance appraisal of employees and his training and development pursuit, and the alternative hypothesis (H_1): there is statistically significant relationship between performance appraisal of employee and his training and development pursuit. Furthermore, responses on perceived use of the performance appraisal and satisfaction with the appraisal process from the likert scale questions was used to construct an index which was used for regression analysis to evaluate the effect of perceived use of performance appraisal and employees satisfaction with the appraisal process. Cronbach's alpha was used to assess the reliability of the measures of the likert scale (Selltiz et al., 1976).

3. Results and Discussion

3.1. Background Information

The breakdown of the 120 respondents by gender shows that more than half (62.5%) of the staff interviewed were females and the rest (37.5%) were males (Table 1). The dominance of female employees over the males is due to the nature of products and services these institutions offer to their clients particularly microfinance services, for which they need female employees who act as mobile bankers and provide door to door services.

Table 1: Demographic Characteristic of the Respondents

Characteristics	Groupings	Frequency	Percentage
Gender	Female	75	62.5
	Male	45	37.5
Age	18-25	19	15.8
	26-35	76	63.3
	36-45	20	16.7
	46-60	5	4.2
Educational level	SSCE	73	60.8
	HND Certificate	19	15.8
	First degree certificate	9	7.5
	Postgraduate certificate	5	4.2
	Professional certificate	10	8.3
	Others	4	3.3
Experience	1-5 Years	73	60.8
	6-10 Years	33	27.5
	More than 10 Years	14	11.7

Source: Field study 2013

From the result presented in Table 1 below a majority (63.3%) of the respondents were between 26 and 35 years of age. This is followed by those who were between 18 and 25 years (15.8%) 36 and 45 years (16.7%) and 46 and 60 years (4.2%) respectively. In general about 79% of the respondents fall in the middle age (18-35 years). As recruitment and selection processes are expensive and time consuming these companies might be taking action to reduce recruitment costs by employing youth who will remain in the organisation for a long period of time. Alternatively as mobile banking involves walking over long distances to visit clients on a daily basis they need energetic individuals for the job. From the above results we can see that the savings and loan companies had youthful employees. This is very encouraging because if the companies understand the needs of these employees and motivate them well then about 79% of the staff will be with these organisations for a long time before reaching the compulsory retirement age of 60 years.

Analysis of educational qualifications as presented in Table 1 indicate that most of the respondents, representing about 60.8% had completed Senior High School, while 15.8% of them had graduated from the Polytechnic with HND certificates and 8.5% of the respondent had professional qualification. In addition 7.5% and 4.2% had first degree certificates and postgraduate certificates respectively. This result revealed that the bulk of the employees do not have any special skills as Senior High School only offer general education. Thus, savings and loan companies need to organise training for their staff.

With regards to experience, as shown in Table 1, 60.8% of the respondents had been working in these companies for a period between 1 and 5 years while 27.5% of them had worked for a period between 6 and 10 years and the rest (11.5%) had worked for more than 10 years. This result buttresses the point for regular

training. A large proportion of the employees had worked for 5 year with the company.

According to Armstrong (1992), resourcing plans should attempt to reduce the number of people to be recruited (which can be expensive and time consuming), not only by taking steps to pursue alternative ways of satisfying needs, but also by taking steps to retain the people the organisation wants to keep. In other words, for employees to continue working in an organisation there should be improvement in the recruitment process, training and development.

3.2. Awareness of Performance Appraisal Policies

As shown in Table 2 about three quarters of the respondents (75.83%) indicated that they were aware of the appraisal policies and procedures in their organizations. However 24.17% were not aware of the policies and procedures. Of the 30 respondents who have only been with these organizations for five years, more than three-quarters (80%) indicated that they are aware of the policies and procedures. It was interesting to note that the awareness level increases with the number of years. This might be attributed to the fact that the new employees always work with more experienced staff.

Table 2: Awareness of Appraisal Policies and Procedures Over Experience

Overall		Yes		No		Total
		Freq	%	Freq	%	N
		91	75.83	29	24.17	120
Length of service	1-5	24	80.00	6	20.00	30
	6-10	44	81.48	10	18.52	54
	0ver 10 years	32	88.89	4	11.11	36

Source: Field study 2013

This result is contrary to the finding of Analoui & Fell (2002) who noted in their study that, in all, the respondents are aware of the policies and procedures relating to performance appraisal. However, probing questions revealed that their knowledge was very limited. This study further revealed that most of the respondents (79%) get to know performance appraisal policies from their superiors. These corroborate the earlier findings that the longer an employee works with these companies, the higher the level of awareness of performance appraisal. This might be due to the fact that the appraisal is only done for staff that has completed their probation period. It is clear from this result that performance appraisal policies and procedures might not be part of the topics discussed during the induction period of newly recruited staff.

It was difficult to determine the extent of their knowledge and understanding of the performance appraisal policies since only 10% of the respondents who claim to be aware of the performance appraisal were able to state key issues in the performance appraisal policies of their organization. This result revealed that the employees' exposure to the appraisal policies and procedures might be due to chance rather than the companies being proactive in ensuring all were inducted on the appropriate documents and processes concerning performance appraisal.

3.3. Reliability Analysis

The Cronbach alpha is for employee perception of performance appraisal is 0.874 and that of evaluative use of performance appraisal, developmental use of performance appraisal, and employees satisfaction with performance appraisal are 0.734, 0.803 and 0.758 respectively. The Cronbach alpha for Training and development is 0.853 while Management commitment to performance appraisal and employee motivation for training and development are 0.797 and 0.861 respectively. The overall Cronbach's alpha is 0.897 (Table 3). As a general rule, a coefficient greater than or equal to 0.7 is considered acceptable and a good indication of reliability (Nunnally, 1978).

Table 3: Reliability Statistics

Variables	Number of items	Cronbach Alpha
Employee perception of performance appraisal	5	0.874
Evaluative use of performance appraisal	3	0.734
Developmental use of performance appraisal	2	0.803
Employee satisfaction with performance appraisal	10	0.758
Training and development	8	0.853
Management commitment to performance appraisal	8	0.797
Employee motivation for training and development	4	0.861
Total	40	**0.897**

Source: Field study 2013

3.4. Respondents' Perception on Performance Appraisal

The respondent perception on the performance appraisal was evaluated using multiple response analysis. The results are presented in Table 4. About 59% of the respondents indicated that they have the opportunity to put forward any concern regarding the appraisal process. Also about 61% believe that their appraisers are competent. This might be due to the fact that it is only their superiors who rate them on their performance. However, just about half of the respondents (52.50%) indicated that the feedback they receive is constructive. This means that feedback from the appraisal is perceived by close to 50% of the respondent as not constructive.

Table 4: Respondents' Perception of Performance Appraisal

Statements	Frequency	Percentage
Opportunity to put forward any concern	71	59.17
The appraiser is competent	74	61.67
Received constructive feedback	63	52.50
Opportunity to choose a rater	93	77.50
Others should be included as appraisers	90	75.00
Beneficial to career development	97	80.83

Source: Field study 2013

More than three–quarters (77.50%) of the respondents indicate that they were not given a chance to choose their raters. It is interesting to observe that 75% of the respondents want others to be included in the performance appraisal as appraisers apart from their superiors. This might be due to the fact that the employees might perceive the rate given by their appraisers as unfair. This finding supports the earlier finding where only just over half of the respondents indicate that the feedback received is constructive.

With regards to the benefit of the performance appraisal in terms of personal career development, about 81% of the respondents believed that the appraisal process has helped them to undertake personal career development while 19% of the respondents mentioned that performance appraisal does not play any role in their career development. From the above result there is clear evidence that performance appraisal was perceived as beneficial to the respondents' career development and that the process was used to prepare respondents individual developmental needs, that is, to identify development activities for individuals staff which include career development.

Table 5 below indicates the category of people employees would like to be included in the appraisal process as raters.

Table 5: Group(s) to be Included in the Appraisal Process

Groups to be included	Freq	%
Colleagues	43	35.85
Customers	23	18.87
Directors	43	35.85
Immediate officers	11	9.43
Total	120	100.00

Source: Field study 2013

About 36% indicate colleagues and just under one-quarter (18.87%) mention customers and immediate officers (35.85%). It is important for the appraisers to give constructive feedback on performance rather than be emotive, and that they had to be aware that when appraisee received negative feedback, it could be a bad experience which could affect his/her subsequent action negatively.

The following are some point presented by the respondents on the perceived benefits of including others as appraisers:

- *Colleagues also work closely with you and their perception of how you perform on the job and work together as a team is relevant.*
- *Managers also need to be aware of clients/customers' and colleagues' perception.*
- *Counter or expand manager's view.*
- *Often colleagues and customers will know more about the level of your work than a manager.*
- *It's rewarding for someone to give feedback about your performance whether it be negative of positive.*

3.5. Performance Appraisal and Training and Development

Out of a total of 120 only 3% of them indicated that through performance appraisal they were sent for training, while 97% of respondents who are currently pursuing various training programmes indicated that they decided to go for training after a previous performance appraisal. This indicates that both management and individuals used the performance appraisal to identify their training needs.-From the above results it appears that performance appraisal was used for developmental purposes by some of the respondents. Hence the process has helped them to achieve their career development goals; however, for others the development activities were never pursued due to lack of support from the management They also noted that only a few of the staff were sponsored for training after the exercise.

Performance appraisal system affects the recognition and identification of training needs of employees in an organization. Hence performance appraisal of employee significantly influences his training and development pursuit. This view has been corroborated by this study and the result indicates a positive relationship between performance appraisal and training and development pursuit of the employees through cross tabulation analysis with Chi-Square test. The result of a Chi-Square test (Table 6) indicates a significant positive relationship between performance appraisal and training and development pursuit of the respondents (X^2=64.301; $p<0.01$) .Hence the study failed to reject the alternative hypothesis.

Table 6: Effect of Performance Appraisal on Training and Development

Statements	Agree	Disagree	X^2	Freq	%
I identified my training needs after performance appraisal	19	5	64.301***	24	20.00
I sought training after performance appraisal	42	10		52	43.33
I was motivated to study hard after my performance appraisal	25	7		32	26.67
Performance appraisal has helped me to train myself	4	8		12	10.00
Total	**90**	**30**		120	100.00

Source: Field study 2013

Comparatively, the larger proportion of the respondents used the results of the performance appraisal to undertake personal development compared to the management using it to send employees for training. We can therefore conclude that performance appraisal has a positive relationship with training and development pursuit of the employees. Perhaps it may be prudent to argue that these factors tend to operate as main employee training and development 'intensifiers' in the human resource development chain; they are conspicuously the 'tools' commonly at play in employee performance evaluation and employee training and development. It stands to reason that if performance appraisal process is handled properly it would positively affect employee training and development to a significant degree. Hence, an improvement in management commitment to performance appraisal process will lead to a more than proportionate increase in employee training and development within these companies.

3.6. Perceived Use of Performance Appraisal and Level of Satisfaction

A review of current literature on relationship between perceived use of performance appraisal and staff satisfaction with the appraisal system has clearly established that where employee perceives that the performance appraisal would be use for developmental purpose they tend to be satisfied with it (Moorman et al., 1993). This was tested in the current study using simple regression. The regression result presented in Table 7 and Table 8 below are in line with the findings of Moorman et al. (1993).

Table 7: Perceived Evaluative Use and Staff Satisfaction with Performance Appraisal

Model	Unstandardized Coefficients		Standardized Coefficients		
	Beta	Std. Error	Beta	t-value	P-Value
(Constant)	1.074	0.215		4.995	0.000
Perceived Evaluative use	-0.035	0.069	-0.038	-0.507	0.607

Source: Field study 2013

The coefficient (-0.035) of the result presented in Table 7 indicate a negative relationship between evaluative use performance appraisal and staff satisfaction with the appraisal system meaning that perceived evaluative use is inversely related to staff satisfaction with the performance appraisal. However, the strength of the relationship judging from the t and p-values ($t=-0.507$, $P = 0.607 > 0.05$) indicates that although the relationship is negative, it is not statistically significant

as ($P > 0.05$) at 5% level of significance. This means that although the perceived evaluative use of performance appraisal and staff satisfaction of the performance appraisal affect each other negatively, the relationship is rather insignificant. However, where staff perceives developmental use for the performance appraisal they tend to be satisfied with the appraisal process (Table 8).

Table 8: Perceived Developmental Use and Staff Satisfaction with Performance Appraisal

	Unstandardized Coefficients		Standardized Coefficients		
	Beta	Std. Error	Beta	t-value	P-value
(Constant)	1.704	0.215		13.632	0.000
Perceived Developmental use	0.174	0.059	0.235	2.949	0.004

Source: Field study 2013

The results indicates positive regression coefficient of 0.172 which shows a statistically strong significant relationship ($t = 2.949$, $P = 0.004 < 0.05$) between perceived developmental use of performance appraisal and staff satisfaction of the performance appraisal. The strength of the relationship judging from the interpretation of the regression coefficient is very strong and this means an employee's satisfaction with the performance appraisal is greatly affected by the perceived use of the performance appraisal for developmental purposes. As a consequence, where savings and loans companies use performance appraisal to identify training needs and to assist employees to develop themselves, they are sure that employees will value the performance appraisal and are more likely to be satisfied with the performance appraisal process. This would reduce complaints and appeals against the performance appraisal. This is in agreement with previous research findings on employee satisfaction with performance appraisal (Gronroos, 1994; Morgan & Hunt, 1994; Ndubisi, 2007).

4. Conclusions and Recommendations

The bulk of the employees of savings and loans companies are youthful and had only Senior High School certificates, hence they are young and ready to learn and if given appropriate and adequate training the staff productivity can be improved.

There was evidence that the performance appraisal was beneficial to respondents' personal career development and that the process can be used to prepare respondents to identify their career developmental needs. For some of the respondent the performance appraisal process had helped them to achieve their

career development goals; however, for others the development activities were never pursued due to lack of support from management.

The companies did not make a conscious effort to educate their newly recruited staff on performance appraisal policies. In order to ensure that the companies achieve their goals as well as avoid excessive complaints and petitions after performance appraisals are conducted, training on performance appraisal policies should be provided as part of the orientation process. The process should aim to not only explaining underlying reasons for performance appraisal and rates awarded but to include sections which encourage staff where appropriate to perform better in the coming years.

Management should view the process as a critical managerial responsibility and considerable resources should be devoted to the process to ensure that they are conducted in a professional manner so that the process is perceived to be fair to all. Furthermore, the management should support staff who need training based on the outcome of the performance appraisal.

Further study is needed to examine the extent to which performance appraisals assist individual career development to ensure that these savings and loans companies achieve their goals and objectives.

References

Aileen, N. (2005). *Performance Appraisal of Administrative Staff in Tertiary Institutions: Usage and Perception*. Master of Business Thesis. Auckland University, Australia.

Analoui, F. & Fell, P. (2002). Have you Been Appraised? A Survey of the University Administrative Staff. *The International Journal of Educational Management*. 16(6), 279-287.

Armstrong, M. (1992). *Human Resource Management – Strategy and Action*. London: Kogan.

Armstrong, M. (2003). *A Handbook of Human Resource Management Practices* Ninth Edition. London: Kogan Page Business Books.

Babak, M., Iqbal, M., Zafar, M.U., & Haq, N. (2010). Evaluation of Employees Thinking about Performance Appraisals, Trainings and Development in Competitive Era of Globalization: A Study in Export based Textile. *Pakistan. Journal of Agricultural Science*, 47(1), 66-71.

Bacal, R. (1999). *Performance Management*. New York: McGraw-Hill.

Baker, J.Jr. (1994). Cause of Failure in Performance Appraisal and Supervision in Greenwood Pres Inc. Conneticut Pearson Education.

Cole, K. (2001). *Supervision the Theory and Practice of First- line Management*, Australia: Second Edition Pearson Education.

Deming, W.E. (1986). Research and Practice in Performance Appraisal: Evaluating Employee Performance in America's Largest Company. *Advanced Management Journal*, 59(2), 28-34.

Edmonstone, J. (1996). Appraising the State of Performance Appraisal. *Health Manpower Management*, 22(6), 9-13.

Egan, G. (1995). A Clear Path to Peak Performance. *People Management,* 18(4), 34-37.

Greenberg, J. (1990). Organizational Justice: Yesterday, Today, and Tomorrow. *Journal of Management*, 16, 399-432.

Gronroos, C. (1994). From Marketing Mix to Relationship Marketing: Towards a Paradigm Shift in Marketing. *Management Decision*, 32(2), 4-20.

Johnson, E. (1995). Total Quality Management and Performance Appraisal: To be or Not to be? In P. Boxall (Ed.) *The Challenge of Human Resource Management*. New Zealand: Longman Paul Limited Auckland.

Macky, K. (2000). *The Strategic Management of Human Resources in Auckland New Zealand*. New York: MaGraw-Hill.

McGregor, D. (1972). An Uneasy Look at Performance Appraisal. *Harvard Business Review*, 50(5), 133-138.

Mani, B.G. (2002). Performance Appraisal System Productivity and Motivation: A Case Study. *Public Personnel Management*, 31(2), 141-159.

Moorman, C., Zaltman, G. & Deshpande, R. (1993) Relationship between Providers and Users of Market Research: the Dynamics of Trust within and Between Organizations. *Journal of Marketing Research*, 29(3), 314-328.

Morgan, M.R., & Hunt, D.S. (1994). The Commitment-Trust Theory of Relationship Marketing, *Journal of Marketing,* 58(7), 20-38.

Ndubisi, N.O. (2007). Relationship Marketing and Customer Loyalty. *Marketing Intelligence*, 25(1), 98-106.

Nunnally, J.C. (1978). *It psychometric Theory*. Second Edition, New York: McGraw-Hill.

Ostroff, C. (1993). Rater Perceptions, Satisfaction and Performance Ratings. *Journal of Occupational and Organizational Psychology*, 66(4), 345-356.

Redman, T., Snape, E., Thompson, D. & Yan, F.K.C. (2000). Performance Appraisal in an NHS Hospital. *Human Resource Management Journal*, 10(1), 48-62.

Roberts, C. (2003). *Real World Research: A Resource for Social Scientists and Practitioners-Researchers*, Oxford: Blackwell Publishers.

Rudman, R. (2003). *Human Resource Management in New Zealand*. New Zealand: Pearson Education, Auckland.

Scholts, P.R. (1998). *The Leader's Handbook: A Guide to inspiring Your People and Managing the Daily Workflow*. New York: McGraw-Hill.

Seltiz, C., Wrightsman, L.S. & Cook, W.S. (1976). *Research Method in Social Relations. Society of Social Sciences*, New York: McGraw-Hill.

Simmons, J. (2002). An "Expert Witness" Perspective on Performance Appraisal in Universities and Colleges. *Employee Relations*, 24(1), 86-100.

Thomas, S.L., & Bretz, R.D. (1994). Research and Practice in Performance Appraisal: Evaluating Employee Performance in America's Largest Companies. *SAM Advanced Management Journal*, 59(2), 28-34.

Vallance, S. & Fellow, H. (1999). Performance Appraisal in Singapore, Thailand and the Philippines: A Cultural Perspective. *Australian Journal of Public Administration*. 58(3), 78-95.

Wiese, D.S. & Buckley, M.R. (1998). The Evolution of the Performance Appraisal Process. *Journal of Management History*, 4(3), 233-249.

Wright, J.N. & Race, P. (2004). *The Management of Service Organisation* Second Edition, London: Thomson.

Yamane, T. (1967). *Statistics, an Introductory Analysis*. Second Edition New York: Harper.