

**Factors Affecting Effectiveness of the Performance Appraisal System in Bank  
of Uganda**

**By**

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**Declaration**

I, Musiime Patience, declare originality of this work as mine and not a re-submission.

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## Approval

My supervisors as appointed by Uganda Management Institute approved the submission of my thesis.

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## **Dedication**

I devote this research to my children. They have been patient and understanding regarding mother's absence while struggling for this academic achievement. May this milestone be an inspiration to you for greater heights in life.

To my spouse, Peter Mugambe, you have stood by me in my endless quest for academic development, thank you.

To my mother, who always inquired on my progress at school. Webale maama.

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## **List of Abbreviations**

BOU: Bank of Uganda

EPAS: Effectiveness of the performance appraisal system

DAC: Departmental Appraisal Committee

PAS: Performance Appraisal System

PM: Performance Management

PA: Performance Appraisal

PAT: Performance Appraisal Tool

FY: Financial Year

UMI: Uganda Management Institute

DV: Dependent Variable

IV: Independent Variable

## **Abstract**

This study concentrated on the factors that impede effectiveness of the performance appraisal system in Bank of Uganda. Performance appraisals help organisations measure performance, motivate employees and most commonly help to make HR related administrative decisions such as promotions and rewards. The study objective was to determine the influence organizational support, communication and managerial practices have on the effectiveness of the performance appraisal system in Bank of Uganda. The study adopted a cross-sectional research design to collect quantitative and qualitative data using structured and semi-structured questionnaires and an interview guide respectively. The target population was Middle Managers and Banking Officers at Bank of Uganda Headquarters, Kampala. The collected quantitative data was analyzed using Statistical Package for Social Science to inform the relationship between variables. Pearson correlation coefficient/Product Moment and regression analysis was also used to measure the degree and strength of the relationship between factors as independent variable and effectiveness of the performance appraisal system as dependent variable. Qualitative data was analyzed using thematic and content analysis which reinforced the narration of the quantitative data. The study revealed that the identified factors all had a statistically strong positive relationship: organization support (5.7%), communication (46.9%), managerial practices (38.5%) and effectiveness of the performance appraisal system. It can be concluded that communication and managerial practices greatly impact the effectiveness of the appraisal system in BOU. The study therefore recommends the Human Resources Department to sensitize staff in Bank of Uganda on the importance of performance appraisal to iron out the gaps identified by the Supervisors. In addition, Supervisors should be trained to be assertive, management skills and interpersonal relationships. This will go a long way in reducing subjectivity in scoring staff based on friendships and negative sentiments that continue to compromise an otherwise effective performance appraisal system in the Bank.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Introduction

Performance appraisal is an orderly practice used to assess employee performance and output in line with a set criteria and objectives of an organization. Performance appraisals are instrumental to an institution because they are the foundations upon which decision like selections and employee rewards are based and they are a mechanism through which feedback between supervisors and employees is made possible. The effectiveness of an appraisal system is dependent on a number of factors in any organization. This study will attempt to explore factors affecting effectiveness of performance appraisal system (EPAS) in Bank of Uganda (BOU).

This chapter looks at the background to the study, statement of the problem, purpose of the study, general objective of the study, specific objectives of the study, research questions, hypothesis of the study, conceptual framework, significance of the study, justification of the study, scope of the study (content, time and geographical), assumptions and limitations; and operational definitions of key terms. Factors were the independent variables measured by organizational support, communication and managerial practices. The dependent variable was effectiveness of performance appraisal systems measured by accurate rating (Jelley and Goffin, 2001; Harrel & Wright 1990), improving performance (Swiercz, Bryan, Eagle, Bizzotto and Renn 2012), motivating and developing employees (Dessler, 2011).

## **1.2 Background to the Study**

### **1.2.1 Historical Background**

The practice of performance appraisals to monitor and improve the output of an organization gained prominence during the Industrial Revolution with heightened rigid organizations, (Fandray, 2001). During this era, performance appraisals were more reactionary with punitive measures for poor performance (Kennedy & Dresser, 2001). The performance appraisal (PA) instrument was more absorbed in punishing poor performance than motivating employees to realize higher performance standards.

Armstrong and Baron (1998), say that performance appraisal was condemned due to its top-down and rigid system championed by the human resources department instead of line managers. It was more retrospective in nature than forward looking; with fixation on past mistakes. Performance appraisal schemes had no linkage to organizational needs with line managers often shunning them as time wasters and immaterial. Employees also disliked the insincerity in the conduct of appraisals given that managers were not skilled, were subjective and were just acting through the motions.

At the peak of industrialization and increased organizational rigidity, performance appraisal system became prominent. Kennedy and Dresser (2001) said “organizations gradually adopted more refined methods for seeking improvement in workplace performance, eventually championing rewards over punishment, forsaking the stick for the carrot, arguing that

performance should not only be appraised but also managed, and devising new and sometimes complex methods to improve performance".

To-date, many organizations have embraced the balanced scorecard introduced by Kaplan & Norton in 1992 that embodies 4 major perspectives in strategic planning: financial perspective, customer perspective, internal business process perspective and the organizational capacity perspective (learning and growth).

The financial perspective underscores proper utilization of costs to meet customer expectations; customer perspective concentrates on how to attract, retain and satisfy an organization's customers (Kaplan & Norton, 1992). The internal business perspective concentrates on the internal methods employed to attain the overall objectives of the organization and its capabilities to meet customer needs, developing and improving human resources to boost future development and organizational learning.

### **1.2.2 Theoretical Background**

The study was anchored on the Motivation and Goal-Setting Theory by Locke (1968). The theory posits that employees are stimulated to do a job by basic goals and their performance is highly boosted by complex and effective goals. Locke and Latham (1990) advance that motivational goals need to be clear and measurable, challenging yet achievable; employees must fully participate in setting goals; receive performance feedback and have available resources and time. This theory was found to be relevant to this study because it encompasses both the independent variable dimensions that affect the dependent variable.

### **1.2.3 Conceptual Background**

This study focused on the aspects that affect effectiveness of the performance appraisal system in BOU. The main concepts were, performance appraisal, organizational support, managerial practices and communication.

Kondrasuk (2011) defines performance appraisal as a process of agreeing on supervisor-subordinate output targets, assessing the achievements and giving feedback to all stakeholders. Armstrong (2006) refers to performance appraisal as the steps of observing and assessing employee performance, recording the assessment and providing feedback to employees. In this study, performance appraisal shall mean the process of setting performance plans, defining tasks to be performed, monitoring performance, evaluating, providing feedback and rewarding performance to employees in the Bank of Uganda during the appraisal period.

Organizational support shall mean what has been put in place in the Bank of Uganda to demonstrate top management and employee support towards having an effective appraisal system while managerial practices shall mean what is done by supervisors in the Bank to make the appraisal system effective.

Communication can be defined as the totality of activities intentioned to create meaning to the recipient. It is the linkage that conveys meaning and relates to interactive exchange with possible feedback. For this study, communication shall mean the dissemination of information to employees during and after performance appraisal period.

#### **1.2.4 Contextual Background**

The Bank of Uganda (BOU) is the Central Bank of the Republic of Uganda. It was opened on the 15<sup>th</sup> August 1966. It is 100% owned by the Government of Uganda but it is not a government Department. Its mission is to foster price stability and a sound financial system by maintaining a sustained rise in the general price level of goods and services that should be low and stable and the exchange rate should be stable with inflation targeted to be maintained at a single digit.

In accordance with Section 9 of the BOU Administration Manual, Bank of Uganda operates an annual, open and transparent performance appraisal system. The appraisal system is aligned to the Bank's strategic objectives, promotes and ensures objectivity in assessment, identifies critical skills, knowledge, and attitude and competency gaps. The Bank uses the top-down or one-rater performance management appraisal system, in which supervisors review the performance of employees under their direct supervision. This increases the risk of error and misses the fact that employees interact with colleagues, customers, business partners and subordinates all who have different expectations and experiences with the employee.

The appraisal exercise helps the Bank to ensure continuous improvement to the communication flow and feedback processes (appraisers, appraisees, management and the Board), promote career development through promotions and succession management and to ensure that staff grievances resulting from performance appraisal are handled by a designated committee.

In the past, the Bank's performance appraisal instrument concentrated at employee Key Result Areas (KRA) to evaluate performance. The flipside of this assessment was that these KRA were



not determined at the beginning of the appraisal period which created disagreements and friction between supervisor and supervisee during the appraisal exercise. In 2008, the Bank introduced the Balanced Scorecard, a popular planning and performance management tool used in strategic planning and management aligning an organization's activities to the vision, mission and strategy of the organization.

In their report 2010, LK Consultants noted that 50% of the respondents from different job levels considered the performance management system flawed and detrimental to staff motivation. The report further indicated that performance evaluation is not systematically administered to the extent that there was fear of potential ramifications arising from negative peer appraisal leading to high performance rating even of "poor performers" Bank-wide. This is indicative of inaccurate ratings which may affect the Bank's need to assess its employee's performance to ensure alignment to strategic objectives, objectivity in assessment, identification of critical skills, knowledge, attitude and competency gaps, continuously improve on the communication flow and feedback processes, among others. It is therefore not clear why this is happening at the Bank.

Despite the implementation of the balanced scorecard, supervisors are still not objective when assessing employee performance at the Bank. For instance, in 2011, the Bank of Uganda terminated fifteen (15) employees on contract terms based on poor performance and yet their respective supervisors had continuously rated their individual performance as satisfactory with salary increments over time. Most of these terminated staff sued the Bank alleging unfair dismissal and the industrial court has determined the case in their favor.

### **1.3 Statement of the Problem**

The Bank uses performance appraisal to assess whether employee performance is aligned to the Bank's strategic objectives using the balanced scorecard as a tool for performance management to promote and ensure objectivity in assessment.

However, the trend in the Bank shows that supervisors continue to rate their subordinates highly even for undeserving cases. For example, "appraisees rated between 60-69% have in the past been described as excellent/exceptional/outstanding, yet they ought to have been in the "meet expectations" or "good" bracket (EDA's memo to all staff dated April 18, 2013). Further, junior staff claimed that Management uses appraisals to penalize, punish and they felt threatened by the Supervisors; appraisals were used to discriminate against race, religion and age, which all affected the outcome of the appraisal results (minutes of meeting with Deputy Governor with Assistant/Deputy Directors held on Wednesday December 9, 2015).

Selective application of policies for instance off-the-job training for officers is often not based on the training needs or performance gaps identified during performance appraisals (minutes of meeting with Deputy Governor with Assistant/Deputy Directors held on Wednesday December 9, 2015). Consequently, majority of staff have lost confidence in the appraisal system which has increased self-initiated transfer to other departments, mistrust and skepticism towards the appraisal exercise, disregard to BOU core values.

If this trend continues, the performance appraisal system will not provide accurate ratings, improve performance, motivate and develop staff thus compromise the effectiveness of performance appraisal system and dent the image of BOU. The study will seek out factors that

hinder effectiveness of the performance appraisal system in BOU. The study outcome will help Human Resources Department to address these factors and improve its administration of the performance appraisal system in BOU.

#### **1.4 General Objective**

The general objective was to determine the effect identified factors have on effectiveness of the performance appraisal system in Bank of Uganda.

#### **1.5 Specific Objectives**

- i) To determine the influence of organizational support on effectiveness of performance appraisal system in Bank of Uganda.
- ii) To establish the relationship between communication and effectiveness of performance appraisal system in Bank of Uganda.
- iii) To find out the influence of managerial practices on effectiveness of performance appraisal system in Bank of Uganda.

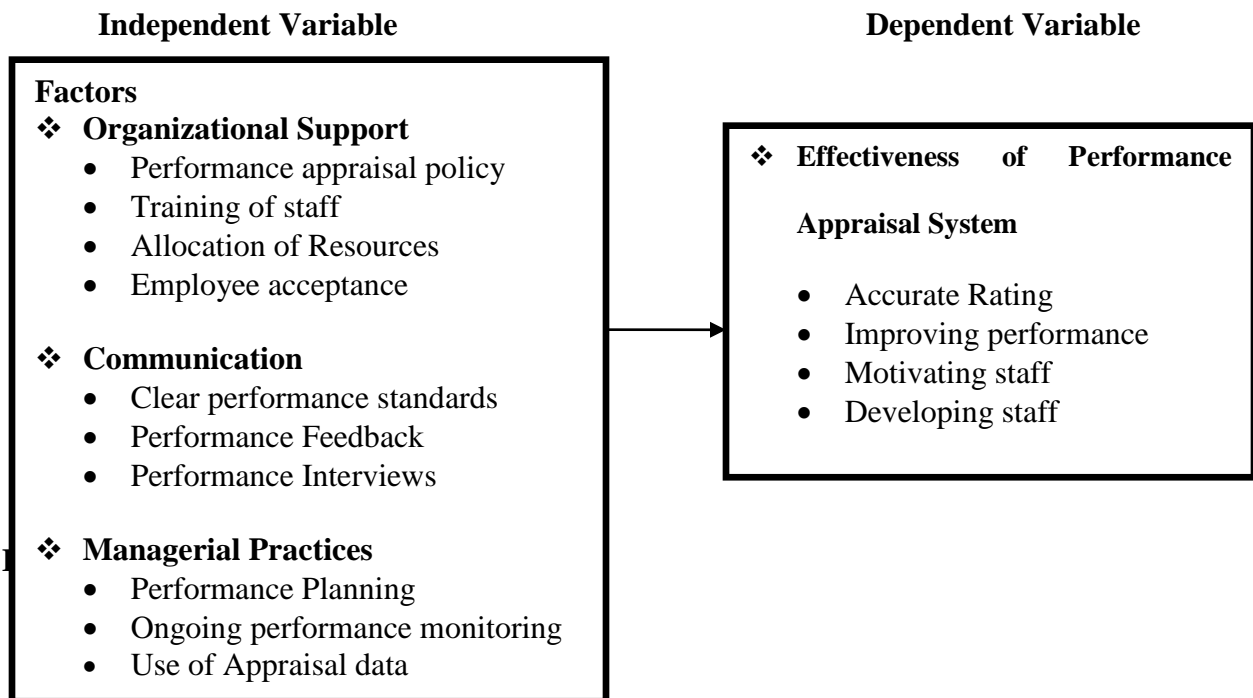
#### **1.6 Research Questions**

- i) What is the influence of organizational support on effectiveness of performance appraisal system in BOU?
- ii) What is the relationship between communication and effectiveness of performance appraisal system in BOU?
- iii) How do managerial practices influence effectiveness of performance appraisal system in BOU?

## 1.7 Research Hypothesis

- i) Organizational support affects the effectiveness of the performance appraisal system in BOU.
- ii) There is a relationship between communication and effectiveness of the performance appraisal system in BOU.
- iii) Managerial practices affect the effectiveness of the performance appraisal system in BOU.

## 1.8 Conceptual Framework



### Primary Source

The conceptual framework shown above describes the connection between the factors (independent variable) that affect effectiveness of performance appraisal systems (dependent variable) that formed the basis for conducting this study.

## **1.9 Significance of the Study**

Outcomes from the study would assist the Human Resources Department to address gaps identified in the study, help with continued improvement in human resource management practices. The study recommendations may add to the existing pool of research on the variables for future reference. The findings might also form a basis for subsequent researchers to explore other factors affecting effectiveness of performance appraisal system.

## **1.10 Justification of the Study**

The researcher is aware of previous studies carried out in BOU regarding the balanced scorecard, organizational factors like culture, leadership, organizational commitment, working environment. Kasujja (2011) called for further studies on other factors upon implementation of the balanced scorecard in BOU. In 2011, the majority of employees who retired voluntarily were disgruntled because they had overstayed at the same rank for more than 10 years and yet their counterparts had progressed to managerial level despite the policy on promotion. These contributed to the researcher's urge to find out what other factors affect effectiveness of performance appraisal system in BOU.

## **1.11 Scope**

### **1.11.1 Content Scope**

There are other factors like organizational policy, culture, politics that affect effectiveness of the performance appraisal system. However, study only looked at organizational support, managerial practices and communication as illustrated in the conceptual framework because an

earlier study on factors looked at organizational culture, organizational policy among others, (Kasujja, 2011).

### **1.11.2 Geographical Scope**

The study was limited to employees in Bank of Uganda Headquarters, situate at Plot 37/45 Kampala Road. The Bank has 5 Regional Branches overseen by Branch Managers in Kampala, Jinja, Mbale, Gulu and Mbarara towns. The Bank also has four (4) Currency Centers overseen by Currency Officers in Kabale, Fort Portal, Arua and Masaka towns.

### **1.11.3 Time Scope**

The study looked at 2010 to 2015 because it is the period where the Bank had a big number of staff contracts terminated on account of “poor performance” yet their performance reports indicated satisfactory performance over the years with salary increment awards. It is also a period when the Bank called for voluntary retirement and most employees disgruntled and demoralized with selective application of the policy on promotion “threw-in-the-towel” and left the Bank services.

## **1.12 Limitations**

This study may be limited by availability of respondents to participate and respond to the administered questionnaires and interview guide.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter looks at literature review in aspects of theory, organizational support, managerial practices and communication. This study was occasioned by the continued disparity in employee performance appraisal at the Bank of Uganda that left minimal differentiation between non-performers and good performers since almost all employees are either promoted or are awarded a salary increment and the annual 13<sup>th</sup> cheque bonus with only a few exceptions, during annual appraisal exercise.

#### **2.2 Theoretical Review**

Performance appraisal is a process seen as being complex, rigid and time consuming, showing an employee's strong and weak points on an annual basis. Performance management is an endless process used to identify, assess and improve an employee's performance in line with organizational goals, (Aguinis, 2009).

The study was anchored on the Motivation and Goal-Setting Theory by Dr. Edwin A. Locke (1968). In the absence of most basic goals, employees would find no reason to work, thus helping employees set thought-provoking and realistic goals as an essential motivator to performance.

Dr. Edwin Locke is an American psychologist from the University of Maryland at College Park who studied the power of goal setting since the late 1960s. He first suggested that employees were motivated by goals and feedback in his 1968 article "Toward a Theory of Task Motivation and Incentives." He later fine-tuned his viewpoint to include that the difficulty and specificity of the task was a good predictor of performance, since easily attained goals are less motivating.

Locke and Latham (1990) posited that goals should be clear, measurable, challenging yet achievable; employees must fully participate in setting goals; receive performance feedback and have available resources and time.

Locke and Latham (1990) confess that the motivation and goal-setting theory has limitations since individual and organization goals are not always the same. Learning goals neither foster interest nor enable learning. Individuals are more determined to take risky actions to achieve their goals often leading to failure.

### **2.3 Conceptual Review**

Armstrong and Baron (2005) note that performance appraisal is a reputed disciplinary control device and loathed system. Dessler 2011 says that performance appraisal is a tool used to interview or gauge if employees performed as expected, set employee goals, expectations; provide feedback to the employee and improve performance.

To-date, performance appraisal is a system of setting employee job expectations, assessing performance, providing feedback to stakeholders and improving employee performance. Performance appraisal methods are the systems and processes through which appraisal is carried out in an organization (Cintrón & Flaniken, 2011).



The effectiveness of performance appraisal systems is hinged on the nature of the appraisal system, how the appraisal process is implemented, effective communication within the system, usage of the appraisal data, and employee perception of fairness and usefulness of the system. Boswell and Boudreau (2000) look at the two functions of appraisal systems as evaluative and developmental. Evaluative purposes predominantly distinguish amongst people; use performance appraisal for salary administration, promotion decisions, and retention or termination decisions, recognition of individual performance and identification of poor performance. To conduct this evaluative function, the appraiser takes the role of the 'judge'.

Under the developmental purposes, the appraisal system concentrates on training needs, provision of performance feedback, influencing transfers and attachments, recognition of ones strengths and weaknesses and the appraiser takes the role of a coach or mentor.

### **2.3.1 Organizational Support and Effectiveness of Performance Appraisal System**

Implementation of the appraisal process is the actual conduct of performance appraisal. Research by Armstrong & Baron (2005), Cole (2007), and Mullins (2005) studied the appraisal process widely and identified pertinent features of the process and concur that generating performance standards marks the start of the appraisal process by outlining what the worker will be doing.

Sillup and Klimberg (2010) state that failure of most performance appraisals systems results from inadequate support from those empowered to manage the system. Wikina (2008) underscores the need for top management to lead by example, by actively participating in the appraisal exercise.

For performance appraisal system to succeed there must be demonstrable support by Top Management in the organization. The organization should have a performance appraisal policy that clearly spells out how employees will be rewarded. The performance rewards must be linked to organizational and to superior job performance to increase motivation of employees to perform even better (Longenecker and Fink, 1999). In the absence of this linkage between rewards and performance, employee performance will remain average. This argument is supported by Harris (2001) who asserts that attainment of valued rewards is an imperative determinant of any behavior.

The Human Resources Department has to ensure that the organization's formal appraisal system is effective and any deficiencies are corrected (Longenecker and Fink, 2013a). The review of an organization's existing appraisal process is driven by a new leadership regime or tensions or frustration with the existing process. It is possible to attain an effective performance appraisal by purposefully establishing an appraisal system whose attributes are entrenched in an appraisal policy. Armstrong (2006) contends that having an appraisal policy helps to define employee roles, output and capabilities needed to carry out an effective performance evaluation exercise. Mani (2002) also contends by saying "employees who do not know policy and procedures are less likely to promptly comply with them."

Performance appraisal systems (PAS) encompass the appraisal instrument, criteria to evaluate performance, and appropriateness of the methods to be used to collect appraisal data that will aid HR decision-making, (Schuler 2008).

Allocation of resources is another avenue where organizations demonstrate their support towards an appraisal system in place. Provision of resources to conduct employee training on usage of

performance appraisal system are demonstrative of organizational support for an effective appraisal system. A trained and informed workforce can easily buy-in, accept and have a positive attitude towards the appraisal system in the organization. Mohrman, Resnick & Lawler (1989), and the BPP Management in Banking (1992) support the notion that training all users of an appraisal system is fundamentally important in the appraisal procedure.

The ability to manage an effective appraisal process extensively rests on the level of deployed resources by top management; lest standards set remain only an illusion in the organization. Buah (2004) also advocates for total support from all employees in the organization for the realization of an effective execution of the appraisal process. Boachie-Mensah & Seidu (2012) advises that when employees see performance appraisals as an opportunity for personal growth, for visibility, able to show their skills/abilities or working with others, they willfully support and participate in the exercise. If they view performance appraisal as Management's effort to micro-manage them, they may resist the exercise. Employees like a system perceived to be fair with acceptable performance ratings (Roberts 2002).

Bacal (1999) asserts that the ultimate purpose of performance appraisal isn't forms but meant to allow employees and managers to continuously improve, get rid of barriers to job success and make everyone better. There is need to evaluate employee attitude towards performance appraisal system given that employee's perception differs. A performance appraisal instrument in an organisation may be sophisticated but its acceptance by employees overly rests on how it is perceived (Gabris and Ihrke, 2000).

Bretz, Milkovich and Read (1992) point out that managers still find the issue of impartiality of the appraisal system a contentious subject. Harris and Kacmar (2011) contend that employees willingly participate in appraisals if their performance will be rewarded. Therefore, employees perceive and react differently to an appraisal system. The ability of a performance appraisal system to motivate, develop and improve employee performance is a function of performance rewards in an organization.

An effective formal performance appraisal results in performance planning, better coaching and performance management, providing a platform to discuss and achieve performance improvement and employee development and providing documentation that can be used for a wide variety of HR decisions (Longenecker and Fink, 2011).

It is noted that managers of employee performance appraisal hold differing opinion of the importance, expected outputs and style of execution solely because of difference in judgement, structure and managerial practices leading to dissenting sentiments, (Murphy & Cleveland, 1995). Mani (2002) examined employee outlooks towards appraisals and deduced that trusting supervisors is a key component in ensuring approval of the appraisal system lest they mistrust the appraisal findings or results. Thus effectiveness of performance appraisals largely depends on fairness in ratings and the rapport between appraisees and appraisers.

Ineffective appraisals can grieve the working relationships between appraiser-subordinate, demotivate and frustrate employees, waste critical time resources, stifle employee development, incorrectly record employee support; damage linkage between employee performance and rewards and compromising the integrity of HR function, (Longenecker and Fink, 2013a).

### **2.3.2 Communication and effectiveness of performance appraisal system**

According to Fisher (1996), performance appraisal is beneficial once it enhances effective communication of the organization's objectives and values, and improves an employee's understanding their respective tasks to be performed. This resonates to (Tyler 2005) misgiving that lack of meaningful performance feedback from the appraisal process is a major detriment to the effectiveness of appraisal systems. Effective communication positively influences the fruitful execution of any appraisal system, (Gordon & Steward, 2009). Communication further lessens misunderstanding on performance expectations, creates a mutual understanding and provides key information, both to the appraiser and appraisee, (Ronald, Burke and Wilcox, 1969).

Organizations implement a performance appraisal system to improve employee performance (Nankervis and Compton, 2006). The appraisal process commences with the establishment of an employee's goals and concludes with a formal meeting performance appraisal interview at which the supervisor provides feedback and rates the employee's job performance against the performance criteria (Aguinis, 2009). Therefore, dissemination of information on employee performance should be communicated effectively because the performance appraisal process is an institutional interaction, Gordon & Steward (2009) citing Drewes & Runde (2002).

At the implementation of the performance appraisal process, formation of clear performance standards to guide the employee's tasks (Hodgetts & Hegar (2008) should be communicated to all employees. A performance standard is a statement of the expectations or requirements established by management for a critical element at each particular rating level. Lack of clear

performance standards and objective evaluation criteria hinders the raters objectivity on an employee's performance. Employees should endeavor to set performance standards that are objective, attainable, and convincing and will aid in evaluating performance. Agbola, Hemans and Abena (2011) argue that lack of clear communication of performance standards and how employee performance will be assessed negatively affects the appraisee's performance, resulting in mistrust of the appraiser and appraisal process.

Dessler (2000) cautions that lack of performance standards and objective evaluation criteria leads to subjective views on performance thus performance standards must relate to the job, be realistic and stimulating to arouse employee interest. Cole (2007), states that completing an appraisal form is what sets off the appraisal process, which is a delimiting perspective because failure to guide employee performance would lead to a miscarriage of the entire appraisal exercise.

Setting and communicating individual performance targets helps streamline employee, departmental and organizational goals. To (2007) cautions that lack of individual performance targets works in contradiction of an employees' ability to make any changes that may help improve performance. The discrepancy over who should set the targets is still debatable for instance, according to Tznier, A., Joanis, C., & Murphy K (2000), management should set the targets; yet "most people will direct and control themselves willingly if they share in the setting of their objectives" (Jones & Hendry 1994 cited in Mullins, 2005).

Buah (2004) in his study of the Civil Service established that involving employees in setting performance targets gets them motivated. According to Nash (2004), deriving performance

targets from individuals and institutional goals enhances better performance. Hence, premised on an organization's objects, performance targets can be set by anyone in the institution.

Communicating performance feedback to employees should be an opportunity to improve employee skills, backed by facts/evidence to promote understanding and decision making but not ones opinion or pinpointing employee weaknesses, (Armstrong 2006). This will help improve employee performance, develop their skills and motivate them work hard.

The performance appraisal policy that adequately guides the administration of the performance appraisal system, spells out communication channels and chain of command ought to be communicated to all staff both in print and electronic version for easy access, retrieval and reference. This creates employee awareness of the performance cycle and the anticipated outcomes. Due to technological advancement, scholars commend online performance management systems to give performance feedback through an email irrespective of whether it is a commendation, rebuke, warn and disciplinary action (Spencer, 1995). However, Kurtzberg, Naquin, & Belkin, (2005) revealed that receiving appraisal criticism on online is not equally well perceived as the traditional paper-form procedure.

Gordon and Steward (2009) opine that the conduct of performance interviews should address the difference between communication efficiency and effectiveness. They suggest that communication is only effective if it is meaningful and creates understanding between supervisor and subordinate. Employees should be given ample notice to effectively prepare for the process given the general stress and anxiety surrounding appraisal interviews.

There is need to set up a joint communication plan to streamline respective roles that would guide the conduct of the appraisal interview since any misinterpretation may hinder mutual understanding, (Burke et al., 1969). In addition, employees should be given ample time to successfully organize themselves for the appraisal procedure.

From the foregoing, it is evident that the execution of the performance appraisal method will be effective as long as the performance appraisal policy, expected output, achievements, response and rewards are disseminated to all stakeholders in time. In addition, communication is the glue that binds and enhances the relationship and interaction between those that participate within the system, influencing employee opinion on the impartiality and worthiness of the system.

### **2.3.3 Managerial practices and effectiveness of performance appraisal system**

Managerial practices involve conducting performance planning, monitoring on-going performance, provision informal performance feedback by supervisors and evaluating appraisees to motivate them (Longenecker and Fink, 1999). Performance planning is conducted at the commencement of the performance appraisal period and comprises reviewing job descriptions, work-plans and activities that will be done to achieve set and agreed upon targets that will form the basis for appraising an employee's performance.

Schraeder, Becton and Portis (2007) say that both the evaluation of employee performance and the effectiveness of the appraisal systems ought to be regularly and periodically carried out to ensure that the systems are dynamic and fluid with the ability to react to the dynamic circumstances.



The main purpose of setting performance objects is to bring into line employee, team and departmental goals to organizational goals and objectives (Dessler, Agbola, Hermans and Abena 2011). To (2007) cautions that without performance aims, the employee's urge to correct and improve performance and make behaviour changes could be hampered. Buah (2004) found that employees are inherently motivated when allowed to participate in setting performance targets. Murphy and Cleveland (1995) indicate that both the appraisal system and appraiser-appraisee goals in the organization should be complimentary to avoid any mismatch in goals and purpose.

Supervisors ought to monitor employee on-going performance, provide informal appraisal feedback to subordinates throughout the appraisal cycle to limit surprises when formal appraisal takes place (Cintron & Flaniken, 2011). Provision of informal feedback allows for prompt tackle of what has gone wrong or what needs to be improved in the employee's activities geared to improve performance. Therefore, appraising employee performance should routinely done to correct any shortcomings and improve on rating correctness, improve performance, motivate and develop staff.

An organization should ably use appraisal data to make key managerial decisions like carryout salary reviews, promote and develop staff; recognize outstanding performance and document staff performance. Appraisal data also helps to evaluate goal achievement, staff transfers, employee retention, re-aligning of organizational goals and termination of poor performers (Dessler et al 2011). Despite the uses of performance appraisal data, Levy & Williams (2004) warn that the appraisal tool can be used to victimize staff if not well administered. Performance appraisal data should thus be used to develop an individual, improve performance, career progression and foster achievement of organizational goals.

An effective appraisal system enables management to make key decisions that may relate to how salaries are administered, employee promotion, recognizing good performers, appraising which goals/objectives were achieved, employee retentions and termination, (Cascio and Bernadin 1981, Gabris & Ihrke 2001, Levy & Williams, 2004, Ogunyomi 2011).

Karuhanga (2010) opines that an appraisal system should be an improvement tool, appreciate good performance, encourage and motivate poor performers. Henderson (1980) warned that performance appraisals can be used to victimize staff coerce, and finally discharge enthusiastic labour-workers irrespective of the enormous advantages. Govender (2009) asserts that performance appraisal system should be premised on impartiality and correctness and appraisal results carefully handled to promote an employee's self-worth.

Basically, performance appraisal is about correcting and improving employee performance in relation to past performance records to identify and recognize poor or good performer accordingly, (Schraeder, Self & Lindsay 2006). Hollenbeck, Scott and Guzzo (2003) observe that identification of effective employees, ability to correct performance and assist employees develop their skills better are key purposes of performance appraisal. Cheng and Cascio (2009) contend that an organization will have committed employees, team-players as long as performance appraisal data is used to develop them. Consequently, performance appraisal will be effective in enhancing employee performance appraisal data if it is able to identify employee strengths and weaknesses.

Citing Kaufer (1990), Harris (2001) argues that employees are always expectant that they will be rewarded with salary raise or promoted. Prowse & Prowse (2009) note that an increase in

performance level was due to the advancement in performance pay schemes provided both individual effort and financial reward were interlinked. Prowse & Prowse (2009), however notes that the effect of rewards in improving performance is still inconclusive and organisations continue to suspend or review rewards because individual performance reward is not in contract to employee motivation (Bach & Sisson, 2000).

According to Armstrong and Baron, (2005), rewarding performance has become quite popular in all organizations. However, in his study, Govender (2009) showed that 88% of respondents indicated that rewards contributed to greater performance. Rosen, Harris & Kacmar (2011) posit that, “when individuals are confident that their performance will be rewarded, they are more willing to put forth effort”. Ogunyomi, Shadare and Chidi (2011) also note that organisations today continue to reward performance. Thus motivation from performance appraisal for improved performance shall be premised on rewarding and reinforcing performance in the organisation.

Monitoring employee performance regularly is of great importance in the appraisal process given the information collected on work performance, Stanton (2010). Mullins (2005) advises that performance appraisal had better be a daily regular and continuous process that will provide firsthand information on any performance shortfall that can be corrected promptly. Sillup and Klimberg (2010) opine that dwelling on the traditional annual appraisals is too infrequent and raters often do not remember what employees did over the previous months.

The effectiveness of the appraisal process highly depends on actual performance measured and evaluated. Cole (2007) citing McBeath & Rands (1976) upholds that “it is clearly essential to

make some attempt at accurate measurement of performance if the appraisal is to be taken seriously...”

Evaluating employee performance supports management in rating performance, determining whether an employee has accomplished assigned job tasks and identify ones strong or weak points during the period. Whereas To (2009) opines that using evaluative performance appraisal evokes undesirable retorts; Murphy and Cleveland (1995) asserted that evaluating and matching appraisees builds discontent and conflict in the organization.

Crow (1995) advances that evaluative performance appraisal breed competition. To (2009) agree that the competing attributes in evaluative performance reduces job satisfaction and devalue co-workers relationships. Therefore, effective performance evaluation should be visionary and motivating.

Furthermore, the effectiveness of the appraisal process largely depends on how regular it is carried out, (Letham & Wexeley (1998). As much as Fisher (1994) notes that appraisal review ought to be annual, Mullins (2005) calls for more frequent appraisals given the volatile circumstances in which organisations operate.

#### **2.3.4 Summary**

Literature reviewed showed that although performance appraisal is not a popular management task, the key criticism is centered on its process design, execution process and the raters. In addition, performance appraisals are dogged with setting numerous goals, giving performance feedback, assessing potential, discussing development needs and determining performance-

related pay increases and coaching, whose implementation will require substantial organizational resources.

Literature also revealed that management of performance appraisal is still a thorn-in-the-flesh for managers today. Most managers think it is a waste of time, costly and breeds conflict between the appraiser-appraisee and have called for abolition of the process.

The ineffectiveness of performance appraisal is largely due to the indifference surrounding the process and that it is an emotionally charged procedure in management. Raters are reluctant to make accurate evaluations of subordinate performance for fear of subsequent ramifications. However, these critics give no suggestion to what should replace performance appraisal or its alternative. They instead campaign for performance management approaches whose focus is on customer outcomes and removing the complex mix of processes often tied up inside performance appraisal.

Notwithstanding the gaps and criticism, organizations need to continuously modify and improve their system to benefit all stakeholders. It is important to evaluate ones measures before they fail by being precise on what needs to be assessed, what metrics are assessing it and making sure that everyone is clear about them.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the study methodology, describes and discusses the research design, study population, determination of the sample size, sampling techniques and procedure, data collection methods, data collection instruments, validity and reliability, procedure of data collection, data analysis, measurements of variables and ethical considerations.

#### **3.2 Research Design**

The study used a cross-sectional survey design to collect data (Creswell and Plano Clark, 2007) in which factors affecting effectiveness of performance appraisal system in Bank of Uganda were examined. According to Neuman (2003), a cross-sectional survey design is simple to carry out and less time consuming. It would also give an in-depth analysis of the findings because it would provide a factual description of characteristics of Bank of Uganda and provide data about the population being studied. A survey research design allows collection of both qualitative and quantitative data at the same time (Borg, Gall & Gall, 1996). Quantitative data would allow the researcher to describe facts related to the study in order to arrive at meaningful conclusions after testing the hypothesis. The qualitative approach enabled the researcher get personal expert opinion on the subject and establish the relationship and effect the factors have on effectiveness of performance appraisal system in Bank of Uganda.

### **3.3 Study Population**

The target population was the Middle Managers and Banking Officers at Bank of Uganda's Head office. There are 46 middle managers (supervisors) and 413 banking officers at head office as key respondents.

### **3.4 Determination of the Sample Size**

A sample size of 210 staff as per the statistical table by Krejcie and Morgan, 1970 was taken. Quantitatively, the respondents were randomly picked while qualitatively, purposive sampling technique was used to select key informants for qualitative data.

### **3.5 Sampling Techniques and Procedures**

#### **3.5.1 Sampling Techniques**

The study used both simple random sampling and purposive sampling techniques to collect both quantitative and qualitative data. These two sampling techniques provided a reasonable number of subjects that represented the target population. It also provided accurate information about the organization that was too large to study in its entity. Simple random sampling allowed all participants an equal chance of being included. Qualitatively, the researcher purposively selected those that were available to give information in a timely manner as supported by Mugenda and Mugenda (2009) because they were deemed to have the required information for this study.

### 3.5.2 Sampling Procedures

Upon determining the sample size using the statistical table by Krejcie and Morgan, (1970), the researcher calculated the sample size for each population category as indicated in the sampling frame in Table 1 below:

**Table 1: Sample frame**

<b>Category of Target Population</b>	<b>Accessible Population (P)</b>	<b>Sample Size (s)</b> $p/459*s$	<b>Sampling Technique</b>
Middle Managers	46	21	Purposive sampling
Banking Officers	413	189	Simple Random Sampling
<b>Total</b>	<b>459</b>	<b>210</b>	

*p/459\*s where s denotes sample size, p denotes accessible population per category and 459 is the target population.*

**Source: Statistical Table by Krejcie and Morgan (1970)**

### 3.6 Data Collection Methods

The study used the questionnaire method and interview guide to collect both quantitative and qualitative data. The questionnaires give a greater assurance of anonymity to the respondents in addition to being cost effective and friendly to busy respondents (Labaree, 2009). This was complemented with the semi-structured questionnaire and interview guide to gain insight about the study by gathering non-numeric information (Labaree, 2009).



### **3.6.1 Survey Method**

The study used questionnaires (structured and semi-structure) to facilitate the easy analysis of data. Questionnaires are research instruments used to collect quantitative data. The structured and semi-structured questionnaires were administered to the Banking Officers and Middle Managers at BOU headquarters because its administration as a data collection tool may not require the researcher's presence. According to Mugenda & Mugenda (2009), close-ended questionnaires are easy to administer because each item is followed by alternative answers.

### **3.6.2 Interviews**

The study also used the interview guide to collect data for the study which enabled the researcher to probe further in order to get in-depth information that the questionnaire may not be able to obtain. The interview guide is a tool that leaves room to ask more questions not originally scheduled but are found necessary to complement data collected during the interview. It also enabled the researcher to look out for some non-verbal communication or expressions from respondents to reinforce responses from the survey. The interview guide was administered to three staff members in the Management Division of Human Resources Department because they have expert knowledge in the area under study in the Bank of Uganda.

### **3.6.3 Document Analysis**

The researcher also reviewed HR documents that included staff circulars on appraisal exercise, the performance management policy and minutes of staff meeting with the Deputy Governor held during the period under study because they were relevant to study area.

## **3.7 Data Collection Instruments**

### **3.7.1 Questionnaire**

A questionnaire is a research tool that outlines numerous questions that help to collect information from respondents. Questionnaires are a convenient way of collecting information from respondents because they are quite easy to fill in a short time, from several respondents and data collected easily processed. The questionnaires contained both close-ended questions and open-ended questions to collect both quantitative and qualitative data from the sampled population. Each question developed attempted to answer specific objective research question and study hypothesis. The Likert rating scale with the five point continuum was used. (5: Strongly Agree, 4: Agree, 3: Undecided; 2: Disagree, 1: Strongly Disagree). These categories would be weighed from 5 to 1 and averaged for all the items as recommended by Amin (2005).

### **3.7.2 Interview Guide**

In order to achieve the study aim, an interview guide was administered with pre-determined questions to enable the researcher ample time to be prepared and appear competent during the interview and give informants the freedom of self-expression. According to Walliman (2005), a semi-structured interview guide enables clarity of answers. The interview guide contained only open-ended questions which the researcher used to guide the interview sessions. This allowed the researcher flexibility to structure questions to fit the interview yet still be guided by the interview guide.

### **3.7.3 Document Review Checklist**

The researcher used a document review checklist as a guide to help in reviewing the various documents, mainly to assess the existing sources of literature to collecting verifiable information. The documents reviewed at Bank of Uganda included: staff circulars on appraisal exercise, performance management policy and minutes of staff meeting with the Deputy Governor.

### **3.8 Quality of Data Collection Instruments**

The researcher ensured that data collection instruments were approved by the research supervisors before they were administered to the sampled size. The data collection instruments were also pre-tested before the actual administration was carried out to ensure that the respondents understood the structure of questions to ensure that the instruments were valid.

#### **3.8.1 Validity**

Validity is the capability of a research tool to produce findings that are justifiable and truthful to measure what it intended to measure (Newman, 2011). This means that the results produced should be consistent and a true reflection of the environment being tested. The researcher used content validity to ensure that the instrument items were relevant to the study. To ascertain validity of the questions in the instrument, the researcher sought the opinion of the subject specialists. These included UMI allocated Supervisors and human resources staff who indicated relevancy of the questions at measuring the variables.

### 3.8.2 Reliability

Reliability is the ability of the instrument to yield consistent data even when administered elsewhere or at a different time (Labaree, 2009). To test the reliability of the instrument, the study variables and questions in the questionnaire were subjected to the Statistical Package for Social Science (SPSS) quantitative analysis program to run a Cronbach's alpha coefficient.

**Table 3.1 Reliability analysis**

<b>Variable</b>	<b>Number of items</b>	<b>Cronbac lpha Statistics</b>
Organizational support	8	.837
Communication	8	.795
Managerial practices	8	.765
Performance Appraisal system effectiveness	7	.827

**Source: Primary Data**

Cronbach's Alpha test for reliability of the research questionnaire was done and according to the results in Table 3.1, all items measuring three of the variables under study (organizational support, communication and effectiveness of the performance appraisal system) were found to be reliable since they had a coefficient above 0.70 threshold set by Nunnally and Nunnally (1978). However, reliability of the measurement items of managerial practices was obtained upon deletion of item 6, that is, "I only get to know my performance after performance evaluation/appraisal exercise".

### 3.9 Procedure of Data Collection

The researcher obtained a letter from Uganda Management Institute (UMI) seeking permission from the Director Human Resources, Bank of Uganda to carry out the study. The letter was

presented and approval granted. The researcher administered the questionnaires and interview guide to the sampled size at the Bank of Uganda, head office, Kampala. The respondents were given two weeks to respond. At the same time, the researcher held interviews with the three HR staff in the Management Division to collect part of the qualitative data by the aid of an interview guide. A total of 207 questionnaires were thereafter administered to the various respondents. The filled questionnaires were subsequently collected, coded/numbered, cleaned, sorted and entered into the SPSS for data analysis.

### **3.10 Data Analysis**

Data analysis is a procedure of cleaning, inspecting and transforming data to get valuable information, suggest conclusions, and support decision-making.

#### **3.10.1 Quantitative Data Analysis**

The quantitative data was collected using a structured questionnaire. The data collected was coded and interpreted using Statistical Package for Social Science Research (SPSS) to inform how the variables under study were related. The data was described and summarized using descriptive statistics that aided description of the distribution/inferential scores using regression analysis to find out level of effect of one variable against the other. Pearson correlation coefficient/Product Moment and regression analysis was used to measure the degree and strengths of the relationship between factors as the independent variable and effectiveness of the performance appraisal system as the dependent variable of the study.

### **3.10.2 Qualitative Data Analysis**

The qualitative data was collected using both the semi-structured questionnaire and interview guide. This involved reading the collected data from the semi-structured questionnaires and interviews, arranging it into themes according to stated objectives, exposed to content analysis and narrating the same to reinforce the quantitative results presented.

### **3.11 Measurements of Variables**

The main study variables namely; organizational support, communication and managerial practices and the DV effectiveness of the performance appraisal system were measured using ordinal scale and based on Likert scale with 5 for strongly agree, 4 for agree, 3 for neutral, 2 for disagree and 1 for strongly disagree (Atkinson, 1998) since the variables were categorical or numerical data. On the other hand, all bio-data variables were measured using nominal scale.

### **3.12 Ethical Considerations**

The onus to ensure ethical conduct and carefully gauge the potential harm and its minimization to research participants solely rests on the researcher, (Bryman & Bell, 2007).

Ethical considerations are issues in research that a researcher needs to address when working with human-beings, for instance, privacy, dignity, benefit-to-risk ratio and informed consent.

The researcher protected the respondent's identify by not using respondent names in order to maintain confidentiality to the information collected during the study. The researcher presented a letter from UMI requesting for permission from Human Resources Department to conduct the study in Bank of Uganda. The researcher attached the clearance from Human Resources

Department on the questionnaires to the respondents in order to adhere to the rules and procedures of carrying out research in Bank of Uganda. The researcher also sought the consent of the staff in the sample size to participate in the study and indicated that information provided would be entirely for academic purposes, would be treated with confidentiality and their identity would not be revealed since the research findings would be shared with Human Resources Department.

## **CHAPTER FOUR**

### **PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS**

#### **4.1 Introduction**

This chapter presents the findings premised on the objectives of the study. The study sought to determine the factors affecting effectiveness of the performance appraisal system in Bank of Uganda, establish the relationship between communication and effectiveness of the performance appraisal system in Bank of Uganda and to find out the influence of managerial practices on effectiveness of the performance appraisal system in Bank of Uganda.

The data was got through use of self-administered questionnaires to respondents and direct interviews with selected staff with expert knowledge in the area of study. The data was analyzed using both the statistical package for social sciences and a narration of qualitative responses. The chapter shall begin with the presentation of the response rate, description of background characteristics as per the study objects.

#### **4.2 Response Rate**

A total of 207 questionnaires were administered to different target respondents and a total of 142 questionnaires were returned. Face-to-face interviews conducted with 3 HR staff with expert knowledge at the Bank of Uganda's head office.



**Table 4.1: Summary of the Distribution of Questionnaires and Interview Guide**

<b>Category of Respondents</b>	<b>Sample Size</b>	<b>Number achieved</b>	<b>Method of data collection</b>	<b>Response rate</b>
Middle Managers	21	19	Self-administered questionnaire	90%
Banking Officers	186	123	Self-administered structured questionnaire	66%
	3	3	Interview Guide	100%
<b>Total Number</b>	<b>210</b>	<b>145</b>		<b>69%</b>

**Source: Primary Data**

The response rate, calculated as a percentage of the filled questionnaire returned to the total questionnaires and interviews administered was computed to be 69%, which is above 50% recommended by Mugenda and Mugenda (2003) thus was found to be adequate.

### **4.3 Demographic Description of the Sample Respondents**

A cross section of respondents was selected for this study that included Middle Managers (Supervisors) and Banking Officers. The background characteristics of the respondents comprised: gender, age, level of education and working experience. The general description of the respondents is as follows:

#### **4.3.1 Distribution of Respondents by Gender**

Responses to this question were intended to establish whether gender had an influence on the effectiveness of the performance appraisal system.

**Table 4.2: Distribution of Respondents by Gender**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Female	63	51.2
Male	60	48.8
<b>Total</b>	<b>123</b>	<b>100</b>

*Source: Field Data (2016)*

The majority (51.2%) of the respondents (banking officers) were females, 48.8% were males. In the category of supervisors, the majority (68%) were male while 32% were female; an average of 58.4% males and 41.6% females. This shows that although Bank of Uganda’s workforce is male dominated, the gender in the sample size was a fair representation for the study.

#### 4.3.2 Distribution of Respondents by Age

The purpose of this question was to establish whether the age difference of the supervisor and supervisees has any influence on performance evaluation. The age distribution of the respondents is presented in Table 4.3:

**Table 4.3: Distribution of Respondents by Age**

Age of Respondents	Frequency	Percentage (%)
20-30 years	11	8
31-40 years	78	57
41-50 years	19	21
51-60 years	15	14
<b>Total</b>	<b>123</b>	<b>100%</b>

From Table 4.3 above, 57% of the respondents (banking officers) were between the age bracket of 31-40 years, 21% were between 41-50 years, 14% were between 51-60 years and 8% were between 20-30 years. By comparison, the majority (53%) of the Supervisors were between 41-50 years, 32% were between 51-60 years and 15% were between 31-40 years.

This meant that as much as Supervisors were in position to evaluate subordinate performance based on rank, the age aspect might have a strong bearing on the level of subjectivity in

performance evaluation and acceptance of appraisal results. This is because the determinant for one to be a supervisor is rank, not age.

### 4.3.3 Level of Education

This question intended to establish the level of education of the sample size. The level of education distribution of the respondents is presented in Table 4.4:

**Table 4.4: Distribution of Respondents by Level of Education**

<b>Level of Education</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Masters	75	61
Bachelors	37	30
ACCA/CPA	3	2
Others	8	7
<b>Total</b>	<b>123</b>	<b>100%</b>

Majority (61%,) of the respondents have attained Master’s Degree as their highest level of qualification, 30% hold Bachelor’s degrees while 2% and 7% of the respondents have attained professional qualifications (ACCA/CPA) and other qualifications (post graduate diplomas) respectively. Most (94%) Supervisors have attained Master’s degree as their highest education qualification.

This meant that almost all the respondents for the study had sufficient education background, ably understood and responded to the questionnaires since they possessed the minimum entry qualification of a Bachelor’s degree.

### 4.3.4 Working Experience of the Respondents

This question intended to establish the respondents' length of service in the Bank of Uganda.

The working experience distribution of the respondents is presented in Table 4.5:

**Table 4.5: Distribution of Respondents by Working Experience**

<b>Working Experience</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Below 5 years	13	11
6-8years	33	26
9-12years	26	21
13-14years	17	14
15 and above years	34	28
<b>Total</b>	<b>123</b>	<b>100%</b>

Majority (28%) of the Banking officers have worked in the Bank for 15 years and above; 26% have worked for 6-8years, 21% and 14% of the respondents have worked in the Bank for 9-12years and 13-14 years respectively and only 11% have worked below 5 years.

The majority (89%) of the Supervisors have worked in the Bank for 15 years and above and only 11% have worked between 13-14 years.

This distribution shows that while Banking Officers were spread throughout all the working experience categories, all Supervisors have worked in the Bank of Uganda for over 13 years. This meant that all respondents for the study had sufficient knowledge of the appraisal system and were therefore in position to provide relevant and reliable data for this study.

#### **4.4 Descriptive analysis of the study variables**

##### **4.4.1 Effectiveness of the performance appraisal system**

The respondents were requested to rate and give their views on the effectiveness of the performance appraisal system in Bank of Uganda. The results from the responses are shown in Table 4.6 below:

**Table 4.6: Descriptive Responses on Effectiveness of Performance Appraisal System**

Effectiveness of Performance Appraisal System	Percentage Response (%)					Mean	Std. Deviation
	SD	DA	N	A	SA		
The Bank's appraisal system provides accurate rating	3% (4)	20% (24)	33% (41)	37% (44)	7% (9)	<b>3.25</b>	<b>.963</b>
Employee performance is aligned to the Bank's strategic objectives	1% (1)	7% (8)	24% (30)	53% (65)	15% (19)	<b>3.76</b>	<b>.823</b>
The Bank continues to identify critical skills, knowledge, attitude and competency gaps using its appraisal system	5% (6)	15% (18)	25% (31)	45% (56)	10% (12)	<b>3.41</b>	<b>1.02</b>
The Bank has continued to improve on its communication flow and feedback processes	1% (1)	8% (10)	22% (27)	57% (70)	12% (15)	<b>3.72</b>	<b>.815</b>
The Bank has a motivated workforce	1% (1)	8% (10)	27% (33)	55% (68)	9% (11)	<b>3.63</b>	<b>.792</b>
The Bank appraisal system has aided staff career development	2% (3)	13% (16)	36% (44)	39% (48)	10% (12)	<b>3.41</b>	<b>.922</b>
The appraisal system has provided a working mechanism in handling staff appraisal grievances	3% (4)	16% (19)	36% (44)	38% (47)	7% (9)	<b>3.31</b>	<b>.933</b>

**Source: Primary Data**

*For interpretation: SD = strongly disagree, DA = disagree, N = Neutral, A = Agree and SA = strongly agree where mean >3.00= agree and <3.00 = disagree.*

Key findings revealed that 77% agreed that the Bank's appraisal system provides accurate ratings. Similarly, 92% agreed that employee performance is aligned to the Bank's strategic objectives. During the interview with the HR officers, it was noted that the Bank has a very good performance appraisal system but it is the subjectivity of Supervisor that is the major problem at the Bank, not the system. Likewise, 63% of the supervisors agreed that the appraisal system is effective in providing accurate ratings. In contrast, 37% of the supervisors disagreed that the performance appraisal system is effective due to increased levels of subjectivity in rating performance.

Responding to “the Bank continues to identify critical skills, knowledge and attitude and competency gaps using its appraisal system”, most respondents (80%) agreed. However, there is a significant deviation from this common position as reflected by the standard deviation at 1.02. This shows that there is contention on how the Bank identifies critical skills, knowledge, attitude and competency gaps using its appraisal system. This is supported by an opinion that “there are gaps especially with supervisors not being candid and courageous to score objectively”.

Likewise, responding to the Bank has continued to improve on its communication flow and feedback processes, the results revealed 91% respondents agreed. Likewise, 99% Supervisors said they monitor employee performance. This means that the Bank should strive to improve its communication flow processes in order to have an effective performance appraisal system. However, this is contrasted by 64% respondents who said they only get to know their performance after performance evaluation/appraisal exercise.

Regarding motivated workforce, 91% of the respondents agreed that the Bank has a motivated workforce. The 9% respondents who disagreed may be due to a supervisor assertion that working with demotivated staff that have no confidence in the system mainly because of inconsistency in application of policies, some leaders are more of bosses and are high handed when dealing with subordinates, or mismatching of skills in relation to assignments.

Similarly, results on appraisal system aiding staff career development revealed that 85% of the respondents agreed. This is strongly supported by the foregoing findings on motivated workforce standing at 91% of respondents that were in agreement.

Lastly, responding to the appraisal system providing a working mechanism in handling staff appraisal grievances, 81% agreed while only 18% disagreed. This may mean that the existence of the Departmental Appraisal Committee (DAC) in Bank of Uganda has helped staff to address their grievances that may have cropped up during the appraisal period. Similarly, 32% of the Supervisors highlighted DAC as a good measure in place to reconcile any dissenting voices.

The Supervisors also pointed out the pertinent challenges hindering the effectiveness of the performance appraisal system to include lack of openness like poor health, scoring competence is very subjective, the culture in the Bank does not favor strict openness, dishonesty by some supervisors based on friendship, inability to highlight an employee's weaknesses, not being empowered to take stringent action against mediocre performance, dealing with staff in league of untouchables, inability to directly reward performance, power distance, interference by management, bureaucratic structures affecting quick supervision of staff, among others.

#### **4.4.2 Influence of organizational support on effectiveness of performance appraisal system**

The first study objective was “to determine the influence of organizational support on effectiveness of the performance appraisal system in Bank of Uganda”. The respondents were therefore asked to react to several questions/statements under the organizational support category for both Banking Officers and Supervisors. The outcomes are presented in Table 4.7 below:



**Table 4.7: Descriptive Responses on Organizational Support**

Organizational Support	Percentage Response (%)					Mean	Std. Deviation
	SD	DA	N	A	SA		
The Bank has a performance appraisal policy	2% (2)	0% (0)	2% (2)	29% (35)	68% (84)	<b>4.62</b>	<b>.684</b>
I clearly understand the performance appraisal policy	1% (1)	2% (3)	10% (12)	52% (64)	35% (43)	<b>4.18</b>	<b>.769</b>
All staff get training on how to use the performance appraisal tool from Human resources department	0% (0)	5% (6)	13% (16)	51% (63)	31% (38)	<b>4.08</b>	<b>.795</b>
The training I get is helpful in understanding my role in the appraisal exercise	1% (1)	2% (2)	6% (7)	59% (72)	33% (41)	<b>4.22</b>	<b>.696</b>
HR officers that provide training during appraisal exercise are knowledgeable	1% (1)	1% (1)	8% (11)	57% (70)	33% (40)	<b>4.20</b>	<b>.697</b>
The Bank allocates resources for performance appraisal exercise	0% (0)	2% (3)	24% (29)	48% (59)	26% (32)	<b>3.98</b>	<b>.773</b>
I have a desktop computer or access to one, to facilitate my participation in the online appraisal exercise	1% (1)	0% (0)	1% (1)	28% (34)	70% (87)	<b>4.67</b>	<b>.580</b>
The evaluation/assessment of my performance is objective	2% (3)	4% (5)	19% (23)	58% (71)	17% (21)	<b>3.83</b>	<b>.846</b>

**Source: Primary Data**

*For interpretation: SD = strongly disagree, DA = disagree, N = Neutral, A = Agree and SA = strongly agree where mean >3.00= agree and <3.00 = disagree.*

Descriptive findings show that having a desktop computer or access to one to facilitate participation in the online appraisal exercise was the strongest measure with a mean of 4.67 of the organizational support in the Bank. Other key results showed that 99% agreed the Bank has a performance appraisal policy. Similarly, 97% agreed that they clearly understand the performance appraisal policy. These findings confirmed that demonstrable support by Top Management was a vital element to the success of the performance appraisal system. Only 2% disagreed showing indifference to the organizational support. Regarding understanding the

appraisal policy, only 10% were non-committal which is negligible and may reflect the poor reading culture of staff.

Regarding training, 95% agreed that they got training on how to use the performance appraisal tool from Human Resources Department. This is supported by the interviewees who confirmed that the Bank carries out sensitization workshops for all staff to ensure that the procedure of how the appraisal exercise will flow is understood bank-wide. Similarly, 63% of the Supervisors identified training as an outstanding organizational support mechanism in Bank of Uganda.

Only 5% disagreed probably because some staff do not take keen interest in attending these training workshops. This assertion was supported by one Supervisor who indicated that the challenge to effectiveness of the performance appraisal system at the Bank of Uganda is staff who do not attend awareness seminars leading to inappropriate filling-in of the online forms. This was further reinforced during the interviews that poor attendance of the sensitization workshops is a major contributory factor that affects the effectiveness of the performance appraisal system at the Bank of Uganda.

In addition, the majority (98%) of respondents agreed that the HR officers that provided training during the appraisal exercise were knowledgeable with only 2% disagreeing. This strengthens the assertion that organizational support is key to the success of the performance appraisal system. In addition, 63% of the Supervisors identified training as an outstanding organizational support mechanism in Bank of Uganda.

The Bank allocating resources for performance appraisal exercise and staff having a desktop computer to facilitate the online appraisal exercise revealed an average 99% agreement from

respondents underscoring the importance of top management support in having a successful appraisal system.

Lastly, objectivity towards evaluation of performance showed 94% agreeing and only 6% disagreeing. The respondents who remained neutral were at 19% which indicates a possible gap in the appraisal system. This is very telling of the challenges faced by the Bank for instance; during the interviews, it was noted that some staff still perceive the appraisal system as a waste of time especially if there is no guarantee of rewards such as promotions. They believe rewards such as bonus, promotion, salary increment are an entitlement; are mandatory and not dependent on performance. In addition, the HR officers who were interviewed noted that the Bank has a very good performance appraisal system but it is the subjectivity of some Supervisors that is the major problem at the Bank, not the system. Likewise, 63% of the supervisors agreed that the appraisal system is effective in providing accurate ratings but 37% of the supervisors disagreed due to increased levels of subjectivity in rating performance.

In addition, staff think there is unfairness in the system whereby, a non-performer is overrated while a good performer feels they are underrated given that the Bank has a scoring guide so that appraisers are too generous with scores. This neutrality may further be explained by what the interviewees said that “some staff are not keen on the balanced scorecard and how it feeds into the appraisal process. Most of them are reluctant in updating their individual balanced scorecards” despite the annual sensitization workshops.

#### 4.4.3 Relationship between communication and effectiveness of performance appraisal system

The second study objective was “to establish the relationship between communication and effectiveness of the performance appraisal system in Bank of Uganda”. It was however important to determine the state of communication at BOU and hence, the analysis below:

**Table 4.8: Descriptive Responses on communication**

COMMUNICATION	Percentage Response (%)					Mean	Std. Deviation
	SD	DA	N	A	SA		
The Bank has clear performance standards	0% (0)	4% (5)	18% (22)	59% (73)	19% (23)	<b>3.93</b>	<b>.726</b>
The Bank communicates the performance standards to all Staff	0% (0)	6% (7)	15% (19)	51% (63)	28% (34)	<b>4.01</b>	<b>.815</b>
The Bank has performance standards for every job	2% (3)	8% (10)	26% (32)	49% (60)	15% (18)	<b>3.65</b>	<b>.914</b>
I am aware of the performance standards for my job	0% (0)	3% (4)	13% (16)	55% (67)	29% (36)	<b>4.10</b>	<b>.740</b>
I am happy with the informal performance feedback given by my supervisor	2% (2)	8% (10)	16% (20)	53% (65)	21% (26)	<b>3.84</b>	<b>.909</b>
I am content with the formal performance feedback provided by Human Resources Department	3% (4)	6% (7)	22% (27)	54% (66)	15% (19)	<b>3.72</b>	<b>.908</b>
There is timely issuance of administrative instrument on performance appraisal to all staff	0% (0)	11% (13)	24% (30)	56% (69)	9% (11)	<b>3.63</b>	<b>.792</b>
Communication during performance appraisal interview is free of tension and clear	5% (6)	10% (12)	24% (30)	48% (59)	13% (16)	<b>3.54</b>	<b>1.002</b>

**Source: Primary data**

*For interpretation: SD = strongly disagree, DA = disagree, N = Neutral, A = Agree and SA = strongly agree where mean >3.00 = agree and <3.00 = disagree.*

Descriptive findings show that awareness of the performance standards for the job was the strongest measure with a mean of 4.10 of the communication in the Bank. Other key findings revealed that 78% agreed that the Bank has clear performance standards. Similarly, 79% agreed that the Bank communicates the performance standards to all staff. This shows that effectiveness of the performance appraisal system in Bank of Uganda is greatly measured by how well performance standards are communicated to staff.

Further, 84% of the respondents agreed that they are aware of the performance standards for their job, whereas 64% agreed that the Bank has performance standards for every job. Those who disagreed were at 13% which is minimal.

Results also show that 88% agreed that they were happy with informal performance feedback provided by their supervisor with only 10% disagreeing. This is supported by all Supervisors who agreed to provision of informal feedback to their supervisees. This shows that increased communication reduces misunderstanding about performance expectations, creates a mutual understanding and provision of key information to both the appraiser and appraisee.

Majority (91%) of the respondents agreed that they are content with the formal performance appraisal feedback provided by Human Resources Department. The 9% who disagreed may be from those who are indifferent to the whole appraisal exercise or like one Supervisor said working with demotivated staff with no confidence in the system mainly because of inconsistency in application of policies. Some leaders are more of bosses and are high handed when dealing with subordinates, mismatching of skills in relation to assignments.

Regarding timely issuance of administrative instrument on performance appraisal to all staff revealed 88% agreement from respondents. This reinforces the importance of communication in ensuring that all stakeholders are aware of when the performance cycle begins and the outcomes.

Lastly, communication being clear and free of tension during performance appraisal interview revealed that 84% respondents agreed while only 15% disagreed. This finding tallies with 98% Supervisors who concurred that communication during appraisal interview is free of tension. The 2% of Supervisors who disagreed said it was not free of tension especially if ones score is low and supervisor refuses to amend and the background is not cleared.

The role of communication was reinforced by the interviewees who revealed that the Bank engages staff right from the start of the appraisal exercise through inputting/updating of deliverables in the balanced scorecards for each staff and communicates the scoring criteria, publishing the performance management plan, Departmental Appraisal Committee meeting schedule, deadline for submission of forms to human resources department, Human Resource Management Committee meeting schedules and appraisal results.

In addition, Departmental Appraisal Committee meetings are conducted in a fair way whereby managers are encouraged to provide constructive criticism as opposed to dwelling on negative issues only and this is done in the presence of a human resources officer. The role of a human resources officer during Departmental Appraisal Committee meetings is to advise on policy issues and help reconcile any disagreements on an individual's performance.

It was also confirmed by the interviewees that communication helps keep staff informed about how their performance will be evaluated, the appraisal process so that they understand the

performance standards on which their performance appraisal are based, the bank's expectations and how staff can exceed those expectations.

#### 4.4.4 Influence of managerial practices on effectiveness of performance management system

**Table 4.9: Descriptive Responses on managerial practices**

Managerial Practices	Percentage Response (%)					Mean	Std. Deviation
	SD	DA	N	A	SA		
The performance plan is uploaded and communication sent out to all staff in time	1% (1)	4% (5)	18% (22)	48% (59)	25% (31)	<b>3.98</b>	<b>.823</b>
I set my performance plans and targets with my supervisor at start of the financial year	5% (6)	16% (20)	13% (16)	46% (57)	20% (24)	<b>3.59</b>	<b>1.122</b>
Employee performance review is regular	6% (7)	22% (27)	22% (27)	34% (42)	16% (20)	<b>3.33</b>	<b>1.16</b>
Supervisors monitor employee performance on a regular basis	6% (7)	24% (29)	27% (33)	36% (44)	7% (9)	<b>3.17</b>	<b>1.06</b>
Supervisors provide ongoing performance reviews to correct and improve employee performance	6% (7)	28% (34)	24% (29)	34% (42)	7% (9)	<b>3.10</b>	<b>1.074</b>
The Bank uses performance results to transfer or terminate staff	10% (12)	27% (33)	40% (49)	17% (21)	5% (6)	<b>2.81</b>	<b>1.003</b>
The Bank promotes employees in line with the performance appraisal policy	2% (3)	10% (12)	23% (28)	46% (56)	19% (23)	<b>3.70</b>	<b>.975</b>
The Bank objectively rewards outstanding performers	6% (8)	9% (11)	29% (36)	39% (48)	14% (17)	<b>3.46</b>	<b>1.07</b>

**Source: Primary data**

*For interpretation: SD = strongly disagree, DA = disagree, N = Neutral, A = Agree and SA = strongly agree where mean >3.00 = agree and <3.00 = disagree.*

Descriptive findings show that uploading the performance plan and communication sent out to all staff in time was the strongest measure with a mean of 3.98 of the managerial practices in the Bank. Other key results showed 91% of the respondents agreed that the performance plan is

uploaded and communication sent out to all staff in time. Similarly, 79% agreed that they set their performance plans and targets with respective supervisors at start of financial year. This shows that effectiveness of the performance appraisal system in Bank of Uganda is greatly measured by the managerial practices in place.

Furthermore, the results showed that 72% respondents agreed that employee performance review is regular. This is confirmed by 99% of the Supervisors who agreed that they monitor employee performance regularly, quarterly mainly through divisional meetings, completed assignments and weekly meetings. This is further reinforced by 70% respondents who agreed that Supervisors monitor employee performance on a regular basis. There was a drop in opinion with 65% respondents regarding Supervisors providing ongoing performance reviews to correct and improve employee performance. However, this is in contrast to the foregoing finding where 99% Supervisors said they do monitor employee performance, meaning, there is actually regular and ongoing feedback provided to staff by Supervisors.

Regarding use of appraisal data, 62% disagreed with the statement that the Bank uses performance results to transfer or terminate staff. Ideally, appraisal data helps to evaluate goal achievement, staff transfers, employee retention, re-aligning of organizational goals and termination of poor performers. This may mean that the Bank of Uganda Management does not use its appraisal results to carry out staff transfers and that termination of staff on account of poor performance may not be well documented or even well disseminated to staff.

It was further revealed that 88% of the respondents agreed that the Bank promotes employees in line with the performance appraisal policy. This shows that an organization should ably use



appraisal data to make key managerial decisions like carryout salary reviews, promote and develop staff; recognize outstanding performance and document staff performance. Lastly, findings on the Bank objectively rewarding outstanding performers revealed that 82% of the respondents agreed while only 16% disagreed. This means that despite the apparent levels of dissent towards the appraisal system in the Bank, it is still effective in achieving the set objectives.

#### **4.5 Correlation analysis**

Correlation analysis was conducted to explain the relationships between the study variables. In effect, bivariate-correlation analyses were performed and Pearson correlation coefficients were generated to measure the magnitude of the relationship between the study variables. The analysis specifically examined existence of the linear relationship and where it existed, the direction and strength of this relationship. The correlation analysis was also done prior to examining existence of a causal relationship between the independent variables and the dependent variable.

**Table 4.10 Correlation analysis**

		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Organizational Support (1)	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	123			
Communication (2)	Pearson Correlation	.443**	1		
	Sig. (2-tailed)	.000			
	N	123	123		
Managerial Systems Practices (3)	Pearson Correlation	.250**	.624**	1	
	Sig. (2-tailed)	.005	.000		
	N	123	123	123	
Performance Appraisal Systems Effectiveness (4)	Pearson Correlation	.255**	.688**	.624**	1
	Sig. (2-tailed)	.004	.000	.000	
	N	123	123	123	123

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### **4.5.1 The relationship between organisational support and the effectiveness of performance appraisal system in Bank of Uganda**

Findings in Table 4.10 showed a significant positive relationship between the organisational support in Bank of Uganda and the effectiveness of performance appraisal system ( $r=.255$ ,  $P<.01$ ). The result implies that the effectiveness of performance appraisal system in Bank of Uganda corresponds directly with the level of organizational support. In other words, a high level of effectiveness of performance appraisal system is associated with a high level of organisational support; for instance, the training during appraisal period helps one understand their role in the appraisal exercise then the appraisal system would be aiding staff motivation.

#### **4.5.2 The relationship between communication and the effectiveness of performance appraisal system in Bank of Uganda**

Findings in Table 10 above further showed a significant positive relationship between communication and the effectiveness of performance appraisal system in Bank of Uganda ( $r=.688$ ,  $P<.01$ ). This result implies that a higher level of effectiveness of the performance appraisal system in Bank of Uganda is associated with a higher level of communication in the Bank. For instance, if there exists clear communication of the performance standards to all Staff or if communication during performance appraisal interview is free of tension and clear, then the appraisal system would guarantee accurate rating.

#### **4.5.3 The relationship between managerial practices and the effectiveness of performance appraisal system in Bank of Uganda**

Findings in Table 4.10 further showed a significant positive relationship between managerial practices and the effectiveness of performance appraisal system in Bank of Uganda ( $r=0.624$ ,  $P<.01$ ). This finding implies that a higher level of conformity to the managerial practices to best practices is associated with better effectiveness of performance appraisal system in Bank of Uganda. For instance, if the Bank promotes employees in line with the performance appraisal policy, then the appraisal system would aid staff career development since staff will try to enhance their capabilities.

### **4.6 Regression analysis**

The hierarchical regression analysis was employed to determine the effect of all independent variables that is; organisational support, communication and management practices; the

effectiveness of performance appraisal system in Bank of Uganda and to determine the magnitude of prediction of each independent variable to the dependent variable. It is from the regression analysis that the objectives were assessed in order to arrive at the study findings.

**Table 4.11: Hierarchical regression analysis of the effectiveness of performance appraisal system in Bank of Uganda**

**Model Summary**

Model	R	R Square	Adjusted R Square	Change Statistics	
				R Square Change	Sig. F Change
1	.255 <sup>a</sup>	.065	.057	.065	.004
2	.690 <sup>b</sup>	.476	.467	.411	.000
3	.733 <sup>c</sup>	.537	.526	.061	.000

a. Predictors: (Constant), Organizational support

b. Predictors: (Constant), Organizational support, Communication

c. Predictors: (Constant), Organizational support, Communication, Managerial practices

Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	2.147	.468		.000
	Organizational support	.320	.110	.255	.004
2	(Constant)	.705	.382		.068
	Organizational support	.078	.092	.062	.403
	Communication	.820	.085	.715	.000
3	(Constant)	.333	.373		.373
	Organizational support	.064	.087	.051	.463
	Communication	.588	.099	.513	.000
	Managerial practices	.354	.089	.317	.000

#### **4.6.1 The influence of organizational support on the effectiveness of performance appraisal system in Bank of Uganda**

Model 1 included organizational support, which showed a significant positive effect on the effectiveness of performance appraisal system (beta =.255,  $p < 0.01$ ). The result implies that the more organizational support the Bank offers to the employees, the more effective its performance appraisal system will get. Furthermore, the variations in organizational support were found to account for 6.5% variation in the effectiveness of the performance appraisal system (R Square change = 0.065).

#### **4.6.2 The relationship of communication on the effectiveness of performance appraisal system in Bank of Uganda**

Model 2 involves the introduction of communication to organizational support. On introducing communication into model 2, the effect of organizational support, (beta = 0.062,  $p > 0.05$ ) was no longer significant at the 5% level, which points to a mediation effect of communication on the relationship between organizational support and the effectiveness of performance appraisal system. Further still, communication showed a significant positive effect on the effectiveness of performance appraisal system (beta =.715,  $p < 0.01$ ). This result implies that the better the communication in the Bank, the more effective the performance appraisal system.

Model 2 further shows that communication raised the predictive power of the effectiveness of performance appraisal system by 41.1% (R Square Change =0.411) implying that communication significantly contributed to the effectiveness of the performance appraisal system in Bank of Uganda.

### **4.6.3 The influence of management practices on the effectiveness of performance appraisal system in Bank of Uganda**

Model 3 involved the introduction of management practices to the predictor variables in model 2. Management practices was itself seen to have a significant positive effect on effectiveness of performance appraisal system, ( $\beta=0.317$ ,  $p<0.01$ ). This implies that improvement of the management practices in the Bank would make the performance appraisal system more effectiveness. Noteworthy, however, is the fact that on introducing management practices into Model 3, communication was still significant ( $\beta= 0.513$ ,  $p<0.01$ ), although its effect reduced gauging from the reduction in the regression coefficient. Model 3 had an R Square Change of 0.61 which implies that managerial practices had a 6.1% influence on the effectiveness of the performance appraisal system in Bank of Uganda.

In summary, the study showed a significant positive relationship between organizational support, communication and managerial practices and the effectiveness of the performance appraisal system in Bank of Uganda. This revelation implies that the Bank should prioritize and carefully manage the established organizational support, communication and managerial practices in order to ensure continued improvement in its performance appraisal system.

## **CHAPTER FIVE**

### **SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter summarises, discusses, concludes and makes recommendations based on the study objectives. It also looks at the limitations and gives an opinion on other possible areas for additional study.

#### **5.2 Summary of findings**

The study findings showed a significant positive relationship between the organizational support, communication and managerial practices and effectiveness of the performance appraisal system in Bank of Uganda. In addition, of the identified factors in the study, it was revealed that communication has the strongest effect at 68% on effectiveness of performance appraisal system. The findings are summarized as follows:

##### **5.2.1 Effectiveness of the performance appraisal system**

The results on effectiveness of the performance appraisal system as the dependent variable of the study showed that respondents agreed that the appraisal system in BOU provides accurate ratings. Respondents further agreed to the measurements of the dependent variable showing that the Bank has continued to: identify critical skills, knowledge, and attitude and competency gaps; improve its communication flow and feedback processes, motivate its workforce and provide a working mechanism in handling staff appraisal grievances.

### **5.2.2 Influence of organizational support and effectiveness of performance appraisal system**

The study results showed a significant positive relationship between organizational support in the Bank of Uganda and the effectiveness of the performance appraisal system. This shows that having a performance appraisal policy, constant training of staff and allocation of resources both as funds and HR staff together with improved employee acceptance will correspond directly to the effectiveness of the performance appraisal system in the Bank of Uganda.

### **5.2.3 Relationship between communication and effectiveness of performance appraisal system**

The study results also showed communication has a significant positive relationship on the effectiveness of the performance appraisal system. This implies that the effectiveness of the performance appraisal system is associated with a higher level of communication in the Bank; the better the communication in the Bank, the more effective the performance appraisal system.

### **5.2.4 Influence of managerial practices and effectiveness of performance appraisal system**

The study results further showed a significant positive relationship between managerial practices and effectiveness of the performance appraisal system in the Bank of Uganda. This implies that a higher level of conformity to the planning for performance, provision of ongoing performance monitoring and use of appraisal data will be associated with better effectiveness of the performance appraisal system in Bank of Uganda.



### **5.3 Discussion of findings**

This section presents a discussion of the findings in accordance with the study objectives:

#### **5.3.1 Influence of organizational support and effectiveness of performance appraisal system**

The study was intended to determine the influence of organizational support and effectiveness of the performance appraisal system. Pearson Correlation indicated a significant positive relationship between organizational support and effectiveness of the performance appraisal system. This shows that the effectiveness of the performance appraisal system corresponds directly with the level of organizational support in Bank of Uganda. These findings conform to assertions made by Longenekcer and Fink (1999) that performance appraisal system can only succeed when supported by both management and employees.

Hierarchical regression analysis further indicated that organizational support showed a significant positive effect on the effectiveness of the performance appraisal system which implies that the more organizational support the Bank has the more effective its performance appraisal system will be. These findings also lend credence to Boachie-Mensah & Seidu (2012) advises that once employees appreciate performance appraisals as an occasion for personal growth, for visibility, able to show their skills/abilities or working with others, they willfully support and participate in the exercise. If they view performance appraisal as Management's effort to micro-manage them, they may resist the exercise.

In addition, as Harris and Kacmar (2011) contend that employees willingly participate in appraisals if their performance will be rewarded. Ogunyomi (2011) complements this argument

that intrinsic rewards like praise, constructive feedback and public recognition have been found to positively impact performance. Longenecker and Fink, (1999) also weigh in that performance rewards must be linked to organizational and to superior job performance to increase employee motivation. In the absence of this linkage between rewards and performance, employee performance will remain average.

Despite the foregoing, the findings also revealed a gap in the existence of the performance policy that some employees do not know about the performance appraisal policy or its contents at the Bank of Uganda.

Qualitative results obtained from Supervisors revealed that demonstrable support by top management through effective training of all staff, setting objectives at the start of the appraisal cycle, using the balanced scorecard as a measure of performance appraisal, automation of the appraisal system and having the Departmental Appraisal Committees in place were areas that facilitate a successful execution of the performance appraisal system.

This position was also strongly advanced by the interviewees who all agreed that the Bank has ensured effectiveness of the performance appraisal system through the annual sensitization workshops, communicating the performance plan to staff in time and holding departmental appraisal committee meetings.

The researcher therefore concurs that management commitment is a key factor that greatly impacts on the vigorous capabilities of PAS (Salloum and Wiktorsson, 2011); performance appraisal has to be directed by the organization's Top Management, (Spitzer, 2007) and

employee perception of the performance appraisal system is paramount, (Gabris and Ihrke, 2000).

### **5.3.2 Relationship between communication and effectiveness of performance appraisal system**

The study further intended to establish the relationship between communication and effectiveness of the performance appraisal system in BOU. Pearson Correlation result indicated a significant positive relationship between communication and effectiveness of the performance appraisal system implying that a higher level of effectiveness of the performance appraisal system is connected with a higher level of communication in the Bank.

Hierarchical regression analysis also showed that communication has a mediating effect on the relationship between organizational support and the effectiveness of performance appraisal system. Furthermore, communication showed a significant positive effect on the effectiveness of performance appraisal system implying that the better the communication in the Bank, the more effective the performance appraisal system. This also means that communication significantly contributes to the effectiveness of the performance appraisal system in Bank of Uganda.

This is supported by Gordon & Steward, (2009), who agree that effective communication enhances effectiveness and successful execution of any performance appraisal system. Furthermore, for effective communication to be meaningful and create understanding between supervisor and subordinate, employees should be given ample time to adequately prepare for the appraisal process.

The findings also tally with the observation made by Cascio and Bernardin (1981) that performance standards and expectations should be clarified to instil in employees a sense of involvement. In addition, Dessler (2000); Agbola, Hermans and Abena (2011) all caution that lack of clearly communicated performance standards and performance evaluation criterion will negatively affect appraisees resulting into mistrust of their appraisers and increase appraiser's subjectivity.

In addition, the findings also resonate with the motivation and goal-setting theory by Locke and Latham (1990) which posits that goals should be clear, measurable and challenging. Lack of meaningful performance feedback was found to be a major cause of ineffectiveness of most appraisal systems and Armstrong (2006) suggests that performance feedback must be based on evidence to promote understanding and facilitate decision making.

Based on these findings, the researcher agrees that communication is important in the effectiveness of the performance appraisal system. Performance feedback should not only pinpoint employees' weaknesses but also stand as an opportunity for self-improvement. This will help improve employee's performance, develop their skills and motivate them to work hard.

### **5.3.3 Influence of managerial practices on effectiveness of performance appraisal system**

The study further intended to find out the influence of managerial practices on effectiveness of the performance appraisal system at Bank of Uganda. Pearson Correlation result showed a significant positive relationship between managerial practices and effectiveness of the performance appraisal system in Bank of Uganda. This implies that a higher level of

effectiveness of the performance appraisal system is associated with a higher level of managerial practices in the Bank of Uganda.

Hierarchical regression analysis further showed that management practices have a significant positive effect on effectiveness of performance appraisal system which implies that improvement of the management practices in the Bank would make the performance appraisal system more effectiveness. These findings conform to Longenecker and Fink, (1999) assertion that managerial practices entail conducting performance planning, monitoring on-going performance, provision of informal performance feedback by supervisors and evaluating appraisees to motivate them.

The findings also hold true since To (2007) cautions that absence of individual performance objects affects an employees' ability to improve performance and behavior. In addition, Buah (2004) asserts that employees are inherently motivated when allowed to participate in setting performance targets, which resonates with the motivation and goal-setting theory by Locke and Latham (1990).

The researcher therefore agrees that monitoring of employee on-going performance, provision of informal appraisal feedback to subordinates throughout the appraisal cycle is encouraged to limit surprises when formal appraisal takes place. In addition, it is true that appraisal data helps to evaluate goal achievement, transfer staff, retain employees, re-align organizational goals and terminate poor performers. However, Levy & Williams (2004) warn that the appraisal tool can be used to victimize staff if not well administered.

## **5.4 Conclusion of the findings**

The study aimed at determining how the identified factors affect effectiveness of the performance appraisal system in Bank of Uganda. This started with identifying the factors through literature review, collecting field data from the respondents on the measurements of the factors in BOU. The data was analyzed and hypothesis tested to show the significance and extent of this effect.

The conclusion basing on the study findings and discussion is presented in line with the study objectives below:

### **5.4.1 Influence of organizational support and effectiveness of performance appraisal system**

The study answered the specific research question and fulfil the specific study objective. The study reveals that the strongest measure of organizational support is having a desktop computer or access to one, to facilitate participation in the online appraisal exercise. This echoes the importance of ensuring that all staff have access to a computer for their participation in the appraisal exercise and ownership of the results.

The study thus concludes and generalizes that access to a computer during the performance appraisal exercise is the strongest measure of organizational support for the effectiveness of the PA system.

#### **5.4.2 Relationship between communication and effectiveness of performance appraisal system**

The study answered the specific research question and fulfilled the specific study objective. The study reveals that the strongest measure of communication as a factor is awareness of performance standards. This echoes the important role played by communication in enhancing effectiveness of the performance appraisal system.

The study thus concludes and generalizes that having performance standards that are objective, measurable, realistic, clearly stated is the strongest measure of communication for the effectiveness of the PA system.

#### **5.4.3 Influence of managerial practices and effectiveness of performance appraisal system**

The study answered the specific research question and achieved the specific study objective. The study revealed that the strongest measure of managerial practices is having the performance plan uploaded and communication sent out to all staff in time. This echoes the importance of reviewing job descriptions, work-plans, setting performance targets and agreeing on planned activities with the supervisor at the beginning of the appraisal period.

The study thus concludes and generalizes that having the performance plan uploaded and communication sent out to all staff in time is the strongest measure of managerial practices to the effectiveness of the PA system.

## **5.5 Recommendations**

The study aimed at determining how the identified factors affect effectiveness of the performance appraisal system in Bank of Uganda. This started with identifying the factors through literature review, collecting field data from the respondents on the measurements of the factors in BOU. The data was analyzed and hypothesis tested to show the significance and extent of this effect. The recommendations basing on the study findings and discussion is presented in line with the study objectives below:

### **5.5.1 Organizational support and effectiveness of performance appraisal system**

Building on the discussion and conclusion, the study recommends the following measures for improving the organizational support in order to achieve an effective performance appraisal system:

- The Bank should endeavor to train all appraisers in performance appraisal techniques, how to effectively communicate with the subordinates they supervise, leadership skills, how to manage relationships at the workplace, introduce coaching and mentoring training and how to be assertive.
- The Human Resources Department should sensitize and remind staff about the performance appraisal policy in terms of its content in order to find commonality in interpreting the PA policy and reconciling this with employee expectations.
- The HR Department also needs to address the disparity in performance evaluation between appraisers and appraisees because, well as supervisors asserted that they monitor employee performance often, the appraisees differed.



- The Human Resources Department should urgently address the high levels of subjectivity in the PA exercise by involving supervisors in discussions on how to improve the appraisal system, for instance, supervisors should take management courses before they are promoted to Supervisor level (Deputy and Assistant ranks), carryout HR audits to appropriately deploy staff, live by BOU values,
- Introduce the 360 degree appraisal system,
- Address issues emanating from power distance, adherence to supervision lines and counsel staff.
- Include participation in bank activities in appraisals as recommended by most supervisors.

#### **5.5.2 Communication and effectiveness of performance appraisal system**

Building on the discussion and conclusion, the study recommends the following measures for improving communication to achieve an effective performance appraisal system:

- HR Department should enrich its sensitization exercises to include aspects of communication in appraisals between appraisers and appraisees, performance management policy and the main purpose of the appraisal exercise.
- HR Department should encourage Supervisors to provide continuous feedback to supervisees throughout the appraisal period and not simply wait for the final performance evaluation at the end of the appraisal period. This will help address issues as they arise and eventually improve the employee's performance.

### **5.5.3 Managerial practices and effectiveness of performance appraisal system**

Building on the discussion and conclusion, the study recommends the following measures for managerial practices in order to achieve an effective performance appraisal system:

- HR Department needs to process an annual performance appraisal report showing the overall outcome from the exercise, which should be accessible by all staff.
- The Bank should be seen to reprimand poor performers to remove any prejudice.
- HR representatives during the DAC meetings should encourage staff to freely air their views.
- Supervisors should endeavor to hold prior discussions with their supervisees so that a cordial relationship is built to reduce on any apprehension during performance interviews.
- Supervisors should encourage staff to assess their own performance based on the set targets, hold discussions thereafter and together determine the appropriate evaluation. This helps to reduce on ambushes and new areas cropping up during performance interviews.

### **5.6 Limitations of the study**

The study was limited by the scope of factors considered: organizational support, communication and managerial practices. However, there are numerous factors like culture, management skills, competence framework, 360 degree appraisal system, assertiveness and performance appraisal design that may have a bearing on the effectiveness of the performance appraisal system in an organization.

The period of collecting data coincided with Bank of Uganda taking over Crane Bank. This was a very hectic period for most staff of Bank of Uganda that had to be deployed in different

regions. This greatly affected the response rate from the target population, which earlier on was never envisaged.

### **5.7 Areas recommended for future research**

Further studies may be carried out on the contribution of the 360 degree performance appraisal method towards the effectiveness of the performance appraisal system in Bank of Uganda. The 360 degree performance appraisal method gets an account of an employee's performance assessment from all stakeholder greatly reducing the area of subjectivity.

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## Appendices

### Appendix 1: Questionnaire for Supervisors

#### TOPIC: FACTORS AFFECTING EFFECTIVENESS OF THE PERFORMANCE APPRAISAL SYSTEM IN BANK OF UGANDA

My name is Musiime Patience, a student at Uganda Management Institute, carrying out a study in regard to the above topic, in partial fulfillment of the requirements for the award of Master's degree in management studies, Human Resources Management.

You have been selected to participate in this study as a respondent because of your uniqueness in this area of study. Your responses to questions below will be treated with utmost confidentiality and shall be used purely for academic purposes. You may remain anonymous.

Thank you.

#### Section A

##### Background Information – Instructions

Please be as honest as you possibly can to enable me make this study a success.

Tick or circle the answers to the questions below:

##### 1. GENDER

- a) Female                      b) Male

##### 2. Age, Education, Working Experience

AGE (YEARS)							
20-30		31-40		41-50		51-60	
EDUCATION							
PhD		Masters		Bachelors		ACCA/CPA...	Others
WORKING EXPERIENCE							
Below 5 years		6-8 years		9-12 years		12-14 years	15 and above years

**SECTION B**

**IV: Organizational Support**

- 3. What kind of support has the Bank put in place to ensure the performance appraisal system is effective? .....
- 4. What is your opinion about the appraisal exercise in the Bank? .....
- 5. How do you communicate with your supervisee regarding performance?  
.....
- 6. Is communication during performance appraisal interview free of tension and clear?  
.....  
Support your answer above .....
- 7. Do you monitor employee performance?  
.....
- 8. Has the performance appraisal system addressed its purpose?  
.....  
Why? .....
- 9. What are the factors affecting effectiveness of the performance appraisal system in Bank of Uganda.? .....
- 10. What challenges do you face as a supervisor in the Bank? .....
- 11. How can these challenges be addressed? .....

You are free to include information that may not have been captured above.

Thank you so much.

## Appendix 2: Questionnaire for Supervisees

### TOPIC: FACTORS AFFECTING EFFECTIVENESS OF THE PERFORMANCE APPRAISAL SYSTEM IN BANK OF UGANDA

My name is Musiime Patience, a student at Uganda Management Institute, carrying out a study in regard to the above topic, in partial fulfillment of the requirements for the award of Master's degree in management studies, Human Resources Management.

You have been selected to participate in this study as a respondent because of your uniqueness in this area of study. Your responses to questions below will be treated with utmost confidentiality and shall be used purely for academic purposes. You may remain anonymous.

Thank you.

### Section A

#### Background Information – Instructions

Please be as honest as you possibly can to enable me make this study a success.

Tick or circle the answers to the questions below:

#### 12. GENDER

b) Female                      b) Male

#### 13. Age, Education, Working Experience

AGE (YEARS)									
20-30		31-40		41-50		51-60			
EDUCATION									
PhD		Masters		Bachelors		ACCA/CPA...		Others	
WORKING EXPERIENCE									
Below 5 years		6-8 years		9-12 years		12-14 years		15 and above years	

## SECTION B

This section requires you to respond to the questions by ticking/circling your opinion among alternatives provided or on the scale ranging from 1-5: where 1= strongly disagree, 2= disagree, 3=Neutral, 4=agree, 5=strongly agree.

**STRONGLY DISAGREE (SD), DISAGREE (DA), NEUTRAL (N), AGREE (A), STRONGLY AGREE (SA)**

<b>IV</b>	<b>ORGANIZATIONAL SUPPORT</b>					
		<b>SD</b>	<b>DA</b>	<b>N</b>	<b>A</b>	<b>SA</b>
14.	The Bank has a performance appraisal policy	1	2	3	4	5
15.	I clearly understand the performance appraisal policy	1	2	3	4	5
16.	All staff get training on how to use the performance appraisal tool from Human resources department	1	2	3	4	5
17.	The training I get is helpful in understanding my role in the appraisal exercise	1	2	3	4	5
18.	HR officers that provide training during appraisal exercise are knowledgeable	1	2	3	4	5
19.	The Bank allocates resources for performance appraisal exercise	1	2	3	4	5
20.	I have a desktop computer or access to one, to facilitate my participation in the online appraisal exercise	1	2	3	4	5
21.	The evaluation/assessment of my performance is objective	1	2	3	4	5
<b>IV</b>	<b>COMMUNICATION</b>					
		<b>SD</b>	<b>DA</b>	<b>N</b>	<b>A</b>	<b>SA</b>

22.	The Bank has clear performance standards	1	2	3	4	5
23.	The Bank communicates the performance standards to all Staff	1	2	3	4	5
24.	The Bank has performance standards for every job	1	2	3	4	5
25.	I am aware of the performance standards for my job	1	2	3	4	5
26.	I am happy with the informal performance feedback given by my supervisor	1	2	3	4	5
27.	I am content with the formal performance feedback provided by Human Resources Department	1	2	3	4	5
28.	There is timely issuance of administrative instrument on performance appraisal to all staff	1	2	3	4	5
29.	Communication during performance appraisal interview is free of tension and clear	1	2	3	4	5
<b>IV</b>	<b>MANAGERIAL SYSTEM PRACTICES</b>					
		<b>SD</b>	<b>DA</b>	<b>N</b>	<b>A</b>	<b>SA</b>
30.	The performance plan is uploaded and communication sent out to all staff in time	1	2	3	4	5
31.	I set my performance plans and targets with my supervisor at start of the financial year	1	2	3	4	5
32.	Employee performance review is regular	1	2	3	4	5
33.	Supervisors monitor employee performance on a regular basis	1	2	3	4	5
34.	Supervisors provide ongoing performance reviews to correct and improve employee performance	1	2	3	4	5
35.	I only get to know my performance after performance	1	2	3	4	5



	evaluation/appraisal exercise					
36.	The Bank uses performance results to transfer or terminate staff	1	2	3	4	5
37.	The Bank promotes employees in line with the performance appraisal policy	1	2	3	4	5
38.	The Bank objectively rewards outstanding performers	1	2	3	4	5
<b>DV</b>	<b>EFFECTIVENESS OF PERFORMANCE APPRAISAL SYSTEM</b>					
		<b>SD</b>	<b>DA</b>	<b>N</b>	<b>A</b>	<b>SA</b>
39.	The Bank's appraisal system provides accurate rating	1	2	3	4	5
40.	Employee performance is aligned to the Bank's strategic objectives	1	2	3	4	5
41.	The Bank continues to identify critical skills, knowledge, attitude and competency gaps using its appraisal system	1	2	3	4	5
42.	The Bank has continued to improve on its communication flow and feedback processes	1	2	3	4	5
43.	The Bank has a motivated workforce	1	2	3	4	5
44.	The Bank appraisal system has aided staff career development	1	2	3	4	5
45.	The appraisal system has provided a working mechanism in handling staff appraisal grievances	1	2	3	4	5

Where **IV** is Independent Variable and **DV** is Dependent Variable

You are free to include information that may not have been captured above.

Thank you so much.

### **Appendix 3: Interview Guide**

#### **TOPIC: FACTORS AFFECTING EFFECTIVENESS OF THE PERFORMANCE APPRAISAL SYSTEM IN BANK OF UGANDA**

My name is Musiime Patience, a student at Uganda Management Institute, carrying out a study in regard to “*Factors affecting effectiveness of the Performance Appraisal System in Bank of Uganda*”, in partial fulfillment of the requirements for the award of Master’s degree in management studies, Human Resources Management.

Thank you for your time to contribute to this interview. You were listed to take part in this study because of your expert knowledge. Your responses will be treated with utmost confidentiality and will be used for academic purposes only.

1. How does the Bank ensure the effectiveness of its performance appraisal system?
2. What role does communication play in ensuring the performance appraisal system in the Bank is effective?
3. What managerial practices are in place to show the Bank’s performance appraisal system is effective?
4. What are some of the challenges the Bank has faced in using its current appraisal system?
5. Any interventions in place to address these challenges?
6. In your opinion, what factors have influenced the effectiveness of the performance appraisal system in the Bank?

**Thank you for your invaluable time in providing this information.**

**Appendix 4: Table for Sample Size Selection**

## **Appendix 5: Introduction Letter from UMI**